

ASSESSMENT OF LOCAL GOVERNANCE PROGRAMS IN ALBANIA, POLAND, ROMANIA, AND UKRAINE



FINAL REPORT

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The views and recommendations expressed in this report are solely those of the MSI Assessment Team and are not necessarily those of USAID or the U.S. Government.



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1.0 LIST OF ACRONYMS

AAM	Albanian Association of Municipalities
ADF	Albanian Development Fund
AUC	Association of Ukrainian Cities
CEE	Central and Eastern Europe
CEEPAA	Central and Eastern Europe Public Administration Assistance Project (USAID/Romania)
CIC	Citizen Information Center (Romania)
COP	Chief of Party
CPP	Community Partnership for Training and Education Program (USAID/Ukraine)
CSO	civil society organizations
CTO	Cognizant Technical Officer
DAI	Development Alternatives, Inc.
DPUK	The Albanian National Water and Sewerage Corporation
EBRD	European Bank for Reconstruction and Development
E&E	Europe & Eurasia Bureau
EU	European Union
FALR	Federation of Local Authorities of Romania
FAM	Financial Analysis Model
FSLD	Foundation in Support of Local Democracy (USAID/Poland)
GoA	Government of Albania
GoP	Government of Poland
GoR	Government of Romania
GoU	Government of Ukraine
GRASP	Governance Reform and Sustainable Partnership (USAID/Romania)
GTZ	German Agency for Technical Cooperation
ICMA	International City/County Management Association
IMAC	Increasing Municipal Access to Credit (USAID/Poland)
IRIS	Center for Institutional Reform and the Informal Sector, Univ. of Maryland
KFC	Kreditanstalt für Wiederaufbau (German Development Bank)
LED	Local Economic Development
LEM	Local Environmental Management Project (USAID/Poland)
LG	Local Governance
LGAD	Local Government Assistance and Decentralization (USAID/Albania)
LGAP I	Local Government Assistance Program I (USAID/Romania)
LGAP II	Local Government Assistance Program II (USAID/Romania)
LGPP	Local Government Partnership Program (USAID/Poland)
LGSO	Local Government Support Organization
LGU	Local Government Unit
MDA	Municipal Development Agency (Poland)
MoF	Ministry of Finance
MOU	Memorandum of Understanding
MSI	Management Systems International
NACIC	National Association of Citizen Information Centers (Romania)
NATO	North Atlantic Treaty Organization
NDI	National Democratic Institute for International Affairs
NGO	non-governmental organization
PAP/A	Public Administration Program in Albania
PBB	Program Based Budgeting
PWC	PriceWaterhouseCoopers

RFP	Request for Proposal
RTC	Regional Training Center
RTI	Research Triangle Institute
SO	Strategic Objective
SOW	Scope of Work
TA	Technical Assistance
TOR	Terms of Reference
URI	Urban Research Institute
USAID	United States Agency for International Development
USPSC	United States Personal Service Contractor
USUF	United States-Ukraine Foundation

2.0 EXECUTIVE SUMMARY

USAID supports decentralization and local good governance initiatives worldwide.¹ This support has been particularly important and striking in the E&E Region, where local governance assistance is expected to play a contributory role in overall political and economic liberalization. In an effort to improve its effectiveness, learn better how to maximize its positive impact in an economic and responsive manner, and highlight innovative practices in support of good local governance, USAID’s E&E Bureau commissioned Management Systems International (MSI) to carry out this assessment of the impact of USAID programs in the aforementioned four countries. MSI’s work culminated in separate country reports for each of these countries, as well as this synthesis of all four reports, including “lessons learned” and recommendations.

USAID’s Europe and Eurasia Bureau is committed to effective and responsive local government, and has carried out local governance programs in almost all E&E countries. An analysis of total E&E obligations (all accounts, in all E&E countries) to date illustrate this point empirically, particularly when considering that local governance interventions incorporate elements that are often grouped under other categories of USAID interventions, such as citizen participation, rule of law, and democratic institutions:

SO number	SO title		
SO 2.00	Democratic Institutions	\$47,243,975	
	Subtotal	\$47,243,975	3%
SO 2.10	Citizen Participation	\$1,011,274,433	
SO 2.11	Citizen Participation	\$74,287,164	
SO 2.13	Citizen Participation	\$10,330,519	
	Subtotal	\$1,095,892,116	63%
SO 2.20	Rule of Law	\$144,077,668	
SO 2.21	Rule of Law	\$8,840,867	
SO 2.24	Rule of Law	\$4,071,146	
	Subtotal	\$156,989,681	9%
SO 2.3	Local Government	\$429,345,636	
SO 2.31	Local Government	\$7,464,131	
	Subtotal	\$436,809,767	25%
Democracy Grand Total		\$1,736,935,539	100%

USAID in Washington has also initiated a web-based Local Government Center², which incorporates the Urban Development and Housing Center, serving as a clearinghouse for information related to United States Government technical assistance programs through USAID in Eastern Europe and the former Soviet Union. Through the Local Government Center’s publications and website, USAID shares its comprehensive experience in the *Process* and *Substance* issues associated with good local governance.

¹ The historic context for USAID’s interest in local government programs did not follow from any earlier focus on decentralization; instead it was reactive to decentralization. Originally a subsidiary objective, decentralization was viewed at best as a means to the goal of better services for citizens. Initially, the focus was squarely on local governments and urban development, but now decentralization is viewed as the most compelling policy environment for local governance interventions.

² http://www.usaid.gov/locations/europe_eurasia/dem_gov/local_gov/brascii.htm

Among the stated *Process* priorities are facilitating the national/local government dialogue, building democracy and citizen participation, and building local capacity. With respect to *Substance* issues, USAID focuses on the legal enabling environment, municipal finance, budgeting, and credit markets, local economic development and housing, infrastructure, and land development.

In the four countries that the E&E Bureau selected for this Assessment – Albania, Poland, Romania, and Ukraine – USAID Missions pursued program objectives that addressed, at varying levels of intensity, all of the *process* and *substance* issues articulated above.

The terms of reference for this assessment (see Appendix A) instructed the MSI team to:

- Determine the impact of USAID-sponsored local government activities on the management capacity of local government in four countries;
- Examine the influence of the national political environment on the adoption of USAID-sponsored local government activities; and
- Determine the impact of the local government activities on the process of decentralization and enhanced local governance.³

This assessment addresses a complex set of development issues in four very different country contexts. Not surprisingly, the results of the assessment are – to a considerable extent – nuanced and most relevant to the specific country in which the programs took place. There are, however, important lessons common to all four countries.

First, the character and pace of decentralization depends upon internal political and institutional factors, as well as on external pressure (from donors or neighboring countries), especially in these countries in transition. A variety of impediments can adversely affect the progress of decentralization. For example, in Albania the important issue of who is responsible for the future training of local government officials – a key component of local capacity building and hence of decentralization – is mired in a dispute between a national ministry and the national association of mayors. Each argues that it should be responsible for training local government officials. In Romania, the current national government has demonstrated reluctance – borne of its inherent sympathy for maintenance of a strong central government – to push the decentralization agenda at the pace originally designed in the late 1990s, partially with USAID assistance. The key for USAID designers and implementers is to be able to read such country-specific factors correctly.

Second, USAID assistance to improve local governance bears best results when programs incorporate strategically coordinated interventions aimed both at the central government and at local governments. The policy environment must be conducive to decentralization, so USAID involvement is needed at the central government level. Local governments must also be empowered – in part through USAID assistance – to be their own agents for change, demanding through ever-increasing capabilities and performance that central government relinquish appropriate powers and authority. USAID is challenged, therefore, to be flexibly strategic in its approach, remaining cognizant of changing personalities, priorities and resources at the political center.

Third, achieving good local governance requires a broad spectrum of reforms and improvements, far in excess of the capacity or appropriateness of any one donor to support in its entirety. That being said, it is important for there to be a consensus achieved within the country receiving assistance of what the larger framework for good local governance ought to incorporate. USAID often is well positioned to assist a

³ The use of the term “governance” in this report is intentional. The E&E Bureau framed their programs in the context of promoting local *governments*, not governance. Governance is much broader, but is used in this Report to better situate the functions, accountability, and obligations of central and local government units.

country to evaluate its own circumstances so as formulate a strategic vision of what interventions are appropriate across the broad range of decentralization objectives. This enables USAID to identify those sectors where its own resources are best placed to offer effective assistance, while at the same time allowing the country to coordinate support from other donors, or otherwise develop its own capabilities, in complimentary sectors.

Fourth, good local governance depends on commitment to the principles of good governance – integrity, transparency, accountability, and responsiveness. In situations where corruption is either embedded into government institutions, or if not yet embedded still is profoundly influencing decision-making, corruption must be tackled directly. It cannot be “managed” away, and unless ameliorated, a culture of impunity will undercut any investments in good governance, and negate efforts to cultivate the legitimacy of local governments.

Finally, the provision of realistic, program-relevant tangible benefits as incentives provides a powerful catalyst to motivate positive changes to local government institutions, capabilities, legitimacy, as well as to the attitudes and civic-mindedness of local government staff. Credible incentives (ideally with a cost-share component), and not just better systems, might generate the requisite momentum for sustainable change. These incentives, be they grant funding for targeted improvements, study tours based on merit, new IT equipment, or other forms of recognition, would support the inculcation of a performance-oriented, transparent, responsive, and innovative governance ethic. Linking the provision of incentives to performance would also be advisable, and would potentially serve as an inducement to a more favorable national government policy environment towards decentralization.

Based on this Assessment, and as described in detail in this report, the MSI team reached the following conclusions and offers these recommendations:

➤ **General Conclusions**

- 1) The general picture is that USAID has made a well conceived and generally well-managed effort to achieve its strategic objectives by means of targeted local government strengthening and support. USAID’s projects stressed financial management and program-based budgeting, decentralization policy, general strengthening of local government management skills, and networking. The governments concerned (local and/or national, depending on the specific intervention) viewed the improvement of these capabilities to be highly appropriate to their many needs. Many of USAID’s interventions are too recent, however, to have had the time to generate significant impacts, and in most cases the baseline data to compare change is not available.
- 2) The quality of USAID interventions – both as conceived and as implemented – was generally very good. The most significant variable in USAID’s local governance programs was the choice of how many cities and towns to involve. Given finite USAID resources, basing interventions in too many locations meant that each separate intervention was modest in scale, and unlikely to have a positive spread-effect. The opposite approach of concentrating on a few larger scale interventions risked the geographic isolation of any positive impact – also constraining spread effect.
- 3) There exists a strong and diverse level of needs for capacity strengthening interventions in support of good local governance. USAID’s efforts to respond to this need were affected by the existence (or not) of a policy, legal and regulatory environment driven by consistent political will conducive to the goals of decentralization; and were exacerbated by inadequate funds to support essential local government capacities and services. USAID interventions contributed greatly, however, towards increasing the demand for local government assistance in the countries where USAID was able to provide technical assistance (or at least to exert effective pressure) to improve the policy environment for decentralization.

- 4) USAID largely relied upon its own judgment, within the context of its stated Strategic Objectives, to formulate a menu of interventions intended to foster and sustain good local governance. This menu may not have aligned with a municipality's ranking of priority needs.
 - a. In the earlier years of USAID interventions, LGUs (especially smaller ones) were unlikely to be fully cognizant of their own development needs, and hence of what assistance they sought.
 - b. The most positive impacts of USAID's interventions in the participating cities and towns were in fiscal and budget management skills development, and in the improved ability of local governments to manage and deliver local services at sustainable cost levels. At the national level, the most significant positive impacts occurred in the policy environment being made more conducive to decentralization and good local governance.
- 5) The most important factors that diminished the overall quality of the interventions generally included such issues as:
 - a. Scope and time. Many interventions were considered ambitious, with implementation periods. In all four countries, there is a clear sense that the contract periods for the interventions by USAID partners (consulting firms and NGOs) in local government capacity strengthening and decentralization are too short. Where USAID demonstrated a programmatic preference for piloting changes with just a few cities, USAID did not articulate or implement a sufficiently cohesive strategy for dissemination that would have encouraged local adoption of best-case results throughout the country. Also, USAID's programs generally did not build in any obvious mechanism for continuing the work after the departure of the contractors. Increasing the number of interventions to include a larger number of cities within any given country did not directly correlate to a larger aggregate national impact, because each intervention is too small to generate a significant spread effect.
 - b. Variations in focus. USAID sometimes changed its focus from a combined approach aimed both at central government (policy, legal, and regulatory environment) and local governments (strengthening of capacities, institutional strengthening, minor infrastructure support), to focus on only one or the other.
 - c. Spectrum of interventions. USAID did broaden its scope in some projects to address issues of corruption, gender, public health, and IT, but not in a manner that would incorporate such forms of targeted interventions systematically in the four countries. Other aspects, such as the environment, land use planning and controls, building regulations, human rights, conflict, adaptive reuse of existing infrastructure, transportation, the informal sector, and similar concerns were not addressed, which leaves important gaps in the larger decentralization agenda. To be effective, USAID may need to take leadership with other donors and the host governments to be sure such gaps are not left unattended.
- 6) The degree to which USAID concentrated on local organizations varied significantly in the four countries. USAID exhibited a high regard for the potential effectiveness of associations as an instrument of local governance reform.
 - a. The basis for such an optimistic view of such institutions, based on their relatively weak capacity and unclear orientation towards being service providers helping local governments improve, remains open to some doubt.
 - b. Some of the associations that purported to represent the interests of local governments were not able to substantiate their claims to represent the interests of such constituents.
- 7) USAID's local government program also suffered from some deficiencies. Examples noted during the course of this assessment include:
 - a. Methods for storage, updating, and accessing the data, program information, technical tools and training materials developed during the various USAID interventions were not adequate.

- b. While all of the local governments surveyed expressed satisfaction at being the beneficiary of technical assistance and training, there was commonly a sense that expectations were being raised to an unrealistic level, given the scarcity of resources available.
 - c. USAID would have done better to harmonize the training of technical and administrative skills with the progressive needs of decentralization.
 - d. The effectiveness of demonstration projects to disseminate knowledge and improve the quality of local governance remains open to question. In most cases:
 - i. The projects were not large enough to generate adequate attention,
 - ii. The cities were generally not well enough networked to routinely share such data, and
 - iii. The interventions lacked an effective dissemination strategy.
- 8) In all four countries, USAID engaged in some consultations with partner cities, but questions remain as to how well timed, rigorous and informed by overall sector experience these consultations were. It also is unclear as to what extent the results of the consultations actually shaped program design.

➤ **Country-Specific Conclusions**

Albania

- 1) USAID has been the Albanian government's foremost partner in decentralization, and the impact of USAID's assistance in the policy reform arena has been regarded as highly beneficial. USAID has linked its local governance activities directly with policy reform.
- 2) Many Albanian municipalities are small, and are less able to absorb technical assistance, and lack the resources to hire adequate numbers of competent staff. Many local governments experience gaps in their range of competencies. USAID built their local governance programs upon a foundation of understanding about the Albanian context. USAID selected pilot cities where there was a base for economic growth, and where there was political commitment to reform. As USAID moved into its most recent intervention, LGAD, this new program began quickly because of this foundation, and because USAID's partners already have established effective relationships with key central government stakeholders and many local governments.
- 3) By providing highly targeted training, USAID helped local government officials to become conversant with basic principles of local provision and financial support for infrastructure services.
- 4) Sustainability is a significant concern; neither USAID nor the Albanian government has a specific strategy for the longer-term sustainability of training programs and support mechanisms for local governments. USAID also has been less successful in supporting the growth and sustainability of local government associations.
- 5) The impact of USAID's efforts to foster citizen participation is better. Many local governments are pursuing citizen involvement in local decision-making, yet several local governments report a largely apathetic populace.
- 6) Many local governments are now much better able, due to USAID-funded training, to manage and budget for the provision of local services, and to procure private and civil society sources under subcontracts to meet many local needs.

Poland

- 1) The most important drivers of reform were local demands for democratic governance, and external pressures from the EU and neighboring countries. The local governance policy reform agenda in Poland was essentially top-down, but the political will at the top in support of decentralization was not consistent.

- 2) USAID was successful in engaging a large number of Poles in the provision of technical and logistical services, but was not able to be a catalyst for the creation of a sustainable, locally financed demand for this new and expanded supply of expertise.
- 3) The technical assistance provided through the USAID interventions did not always align clearly with the needs of decentralization or other specific local governance needs.
- 4) Once USAID redirected the format for projects to a competitive, cost-sharing basis between candidate cities, cities became much more focused, engaged, and interested in participation.
- 5) USAID engaged multiple, different contractors (partners), who frequently pursued different trajectories, passing over many opportunities for complementarity. Also, the time frame for USAID's most significant local government intervention, LGPP, was inadequate.
- 6) Despite a program characterized by many media applications, workshops, conferences, and dissemination activities, the aggregate of all of these efforts failed to generate a sustained, long-term positive impact.

Romania

- 1) USAID's relationship with central government on the issues of decentralization and local government reform has not been consistent, and at times has been characterized by periods of "stepping away" from engagement with central government. The end result is that USAID did not achieve as much as it might have in the policy sphere, but USAID's interventions are directly linked to improvements in management quality at the local level.
- 2) New USAID projects did not take best advantage of the lessons learned by earlier projects, and often did not build upon previous accomplishments. USAID did not articulate what its expectations of "good long term results" were, and only one external evaluation was carried out on these local governance reform projects over a ten-year period. Also, the relatively large number of U.S. contractors (partners) involved was not a negative factor in itself, but the multiplicity of issues addressed underscores a general lack of consistency within USAID's local governments support and capacity building program.
- 3) All of the USAID interventions were relatively short in duration, which limited their potential for generating a lasting positive impact. Also, with respect to Romania's overall progress in decentralization, some USAID interventions were introduced prematurely.
- 4) USAID's emphasis on program-based budgeting at local government level was not well aligned with the budgeting standards established by the central government.
- 5) Despite a high level of capacity to absorb training, USAID provided training that many local governments considered too generic and too general, and not targeted at the specific needs of individual cities. Training offered by USAID was focused primarily on management practices, and not enough on understanding the broader legal framework affecting decentralization. Also, USAID and its contractors did not include any well-articulated dissemination strategies to harness the potential for generating a positive, nation-wide impact.

Ukraine

- 1) The USAID local governance program in Ukraine suffered from the lack of a long-term strategic vision and some weaknesses in program integration, and the lack of a realistic set of expectations as to the level of technical competence and capacity available in local governments. USAID did consciously attempt to incorporate the lessons of earlier interventions, however.
- 2) The aggregate nationwide impact of USAID's local governance interventions was not significant, largely attributable to the Ukrainian cities' inadequate resource base, their inability to raise revenues, and constraints on central government funds transfers linked to widespread poverty.
- 3) The Association of Ukrainian Cities (AUC) has played a convincing advocacy role, but is less credible as a training provider or as a driver and generator of effective policy.
- 4) Regional training centers established through USAID interventions, as well as the Community Partnerships program, had very mixed results.

- 5) Twinning arrangements created through USAID's interventions, which required a significant proportion of the available USAID program resources, resulted in strong international city-to-city relationship building, but few tangible results.
- 6) Feedback received from the cities indicates that a strong preference existed for much more customized technical assistance interventions, responsive to the needs of individual cities.

➤ **Recommendations**

- 1) It is essential to make progress towards a comprehensive and integrated policy environment at both central and local government levels that is conducive to responsive, democratic, and participatory local governance. Such a policy environment should be based in well conceived laws and regulations, robust in content and scope, comprehensively structured to span the full range and process of decentralization over time, well understood by all role players and stakeholders, and grounded in the requisite political support. Sustained, well-targeted attention to policy reform at the center, carried throughout any program's life cycle (i.e. not just at the early stages), is essential for good local governance. Also, the sequencing of policy work needs to be adapted to each country context. Finally, local level interventions should begin concurrently or soon after the policy initiatives, so that local energies can be harnessed to push the national reform agenda.
- 2) USAID should place greater emphasis on making the existence of sufficient political will at the central government a prerequisite to USAID investments in local government capacity strengthening interventions. Where such political will in support of decentralization is lacking or variable, USAID may be well positioned to effectively advocate for this commitment by political leaders.
- 3) Training would be improved and made more sustainable if there was the prospect of pragmatic, funded (grants and/or central government) opportunities available in which to apply this training. USAID should consider including a grant component to all future local government strengthening interventions. Putting training into practice would assist in the institutionalization and longer-term sustainability of new techniques. Also, a more coordinated approach by USAID to training is recommended, taking a holistic view of the decentralization process from start to finish, and the changing needs as decentralization and associated local government reforms progress.
- 4) Many critical aspects of effective local government, outside the selected range of USAID interventions, should have been identified, and efforts made to coordinate with other donors and the governments concerned so that these aspects would not be ignored or forgotten.
- 5) With the exception of the Ukraine program, USAID did not directly fund any services or activities carried out by local governments. It is arguable that if USAID had provided grant funding for selected investments in local development works managed by local governments, as a "carrot" to encourage local governments to acquire and institutionalize essential analysis, planning, management, and financial skills, that a significant demand for expanded local government assistance would have been generated. During the design of any local governance intervention, USAID should ascertain the most effective incentives to generate and sustain momentum for local government reform and decentralization, and to structure these components into the overall implementation strategy.
- 6) In certain instances, demonstration projects should be used as test cases, to explore how well a municipal government can shoulder the burden of responsibilities delegated to it.
- 7) USAID may achieve better results by working with fewer local governments but involving them from the outset in the design of the interventions to encourage a more demand-driven process, more responsive to local needs and priorities.

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3.0 INTRODUCTION

3.1 Background

With the end of the centralized communist system in the Europe and Eurasia region, a unique opportunity arose for strengthening democracy and good governance. USAID perceived this opportunity over ten years ago, and decided to assist the reformers in their efforts to demonstrate that the transition offered genuine hope for improved governance and better public services. Decentralization, moving decisions on issues that are essentially local matters to local decision-makers, was a key component of the reformers' agenda, and USAID supported this through various programmatic interventions. The goals and objectives of specific interventions varied, and their nature and focus changed as democracy took root and evolved in the countries concerned.

At the outset in the early 1990s, US assistance to the region mirrored the interests of a diverse array of government and private organizations that responded quickly to the opportunities presented by the end of the Cold War. Not surprisingly, USAID's support to local good governance was more reactive than proactive, responding to targets of opportunity rather than strategically addressing the key problems of responsive, efficient, and accountable local governance. This was a time when USAID was discerning where it might be able to be most effective – a task made quite difficult by the rapid, often turbulent, and momentous changes taking place in the countries concerned. As the decentralization trend became more established in the mid 1990s, as USAID learned what worked and what did not work so well, and to the degree that the requisite political will within the countries concerned became more reliable, USAID moved into a more proactive mode by developing strategic objectives in each country for support of better local governments. Typically, these SOs required all local government activities to focus on “making local governments more effective, responsive, and accountable.”

USAID's assistance targeted five specific areas of local government management:

- Strategic and financial management,
- Local economic development,
- Capital improvement planning and finance,
- Municipal service delivery, and
- Public relations and citizen participation.

In USAID's view, these approaches and techniques addressed the key concerns facing local governments in the region -- the need to improve service delivery, upgrade infrastructure, promote local economic development, and increase public participation. The rationale for excluding other important elements of local government capacity building is not clear (e.g. spatial analyses, integrated development planning, land use zoning, building regulations, environmental assessments and associated interventions), although these issues arose as unmet priorities in discussions with local governments. Often, USAID's emphasis has been on the less technical elements of democracy building, to the apparent frustration of some of USAID partner cities, which were looking not just for lessons in democracy but also practical “nuts and bolts” guidance and training in effective local governance. As responsibility for technical services shifted increasingly to local government, however, the need for assistance on technical issues led to the inclusion by USAID of technical components in LG projects.⁴

⁴ Examples include water services in Albania and Poland, and the Ukraine tariff reform project that focuses exclusively on local infrastructure service improvement.

For decentralization to be effective, the central government's commitment and support is important. At the national level, USAID focused its interventions on the development of laws and policies intended to be supportive of effective fiscal and administrative decentralization. Most of USAID's programs also addressed strengthening the lobbying and representational capacities of national associations of local government, but the scope of this assessment precludes the examination of these national-level activities in any detail.

3.2 Objective and Purpose of this Assessment

This four-country assessment was intended to determine the impact of local government activities sponsored by USAID's Bureau of Europe and Eurasia (E&E), so that USAID staff and counterparts will be able to use the results of this assessment to inform the design and implementation of future activities to support effective and responsive local governments. The terms of reference for this assessment excluded any focus specifically on how well various implementers (partners) carried out any specific intervention.

The Scope of Work for this assessment set out seven objectives, as follows:

- 1) To assess the appropriateness, quality, and impact of local government technical assistance activities designed to improve management capacities of local governments;
- 2) To determine the extent to which these activities resulted in well-managed local governments that:
 - Manage their resources strategically;
 - Respond to needs of citizens through specific mechanisms (e.g., strategic and capital improvement planning processes) that involve citizens in identifying and prioritizing needs and investments;
 - Have access to information and technical know-how about best practice approaches and techniques;
 - Implement these best practices; and
 - Operate in a legal and regulatory environment that guarantees local government independence, limits restrictions, and allows for development of financial resources.
- 3) To determine whether the approaches and techniques for improving local government management developed by USAID-funded local government activities were useful, desired, affordable and addressed key concerns⁵ of local governments;
- 4) To identify the difficulties encountered as governments implemented the new techniques;
- 5) To identify the ways in which local governments used local organizations in the development and implementation of the new approaches;
- 6) To assess the impact of the local government activities on the progress towards decentralization and local governance; and
- 7) To determine how USAID can improve the design and implementation of its local government activities to maximize the positive impact on the management capacity of local governments.

⁵ For the purposes of this evaluation the approaches and techniques fall into five areas: strategic and financial management, local economic development, capital improvement planning and finance, municipal service delivery, and public relations and citizen participation. Key concerns are defined as the need to improve service delivery, upgrade infrastructure, promote economic development, and increase public participation. If the approaches and techniques are designed in a way that effectively incorporates public participation, they will contribute significantly to enhanced local governance.

3.3 Methodology and Approach

In response to the multi-country assessment's scope of work, MSI focused on four basic issues concerning USAID's local government assistance in each of the four countries included in the study (Albania, Poland, Romania, and Ukraine):

- 1) The quality and appropriateness of the approaches and techniques that were developed and delivered for strengthening local government;
- 2) The role of local organizations in the development of these approaches and techniques;
- 3) The demand for the approaches and techniques that were developed through USAID assistance; and
- 4) The influence of the political environment on the development of approaches and techniques for local governments.

The design selected for this assessment involved ex-post, multi-site comparative case studies. This design did not provide for a systemic comparison of the effects of program interventions for municipalities that participated in the USAID program and those that did not. Such an approach was not feasible because no baseline information was gathered prior to the USAID program interventions, and the multiplicity of donor support to the many municipalities made it virtually impossible to disentangle the impact of USAID program support from the support provided from others. Instead, some limited elements for comparison of municipalities actively engaged in the USAID program and those not engaged were incorporated for each country study, where this was feasible and within the practical and budgetary constraints of the assessment. Constraints on the availability of resources similarly precluded the use of extensive primary surveys. The in-depth interviews constituted the major source of primary data, allowing the team to reach a level of consensus and confidence after modest in-country exploration.

In the four countries, a combined total of 41 municipalities were visited for this assessment. The samples included municipalities from as many geographic regions of each study country as logistical and time constraints allowed. To the extent possible, the MSI assessment teams strove to interview individuals in those municipalities who were knowledgeable about USAID's inputs, were associated with the municipality for a number of years, and were aware of the general thrust of the decentralization movement in the country.

For each country, data from review of documents and interviews were generally written up and shared among the respective assessment team members. Each member (expatriate and local) of each country assessment team reviewed and reflected on the information, while also bringing their separate professional experiences to bear. In some cases possibly contradictory information was sorted out through further data collection. For each country assessment, the full team concurred on the summary findings.

Each country assessment is considered a piece of this larger synthesis, which is the core product of the assessment. Action recommendations form a significant element of this Final Assessment Report, and are properly addressed to the organization requesting this assessment, EE/LG in USAID/Washington.

The specific MSI team members for each country were as follows:

- Albania
 - Stephen Schwenke, Ph.D. (Team Leader),
 - Peter Feiden (Senior Democracy and Governance Analyst);
 - Auron Pasha (Albanian Democracy and Governance Analyst);
 - Zana Vokopola (Albanian Democracy and Governance Analyst); and
 - Silvana Braculla (Logistics Specialist).

- Poland
 - James Fremming (Team Leader);
 - Bonnie Walter (Senior Democracy and Governance Analyst);
 - Staczek Alwasiak (Polish Local Democracy and Governance Analyst);
 - Roman Dziekonski (Polish Local Democracy and Governance Analyst); and
 - Andrzej Nermer (Interpreter and Logistical Specialist)
- Romania
 - James Fremming (Team Leader);
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 - Afrodita Popa (Romanian Local Democracy and Governance Analyst); and
 - Ruxandra Dicu (Logistical Specialist)
- Ukraine
 - James Fremming (Team Leader);
 - Bonnie Walter (Senior Democracy and Governance Analyst);
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 - Bohdana Urbanovych (Ukrainian Local Democracy and Governance Analyst); and
 - Inna Kharlamova (Interpreter and Logistics Specialist)

MSI's home office staff also supported this task order, and included Stephen Schwenke (Technical Director) and Dennis Marotta (Project Manager).

All of the American team members noted above contributed to this Final Assessment Report.

MSI wishes to express our gratitude to all our interview sources who graciously offered their time and thought in our discussions in each country study, including local government specialists in the respective USAID Missions, and to Michael Keshishian of EE/LG for his kind and consistent support.

3.4 Overview of USAID Local Governance Activities in Study Area

3.4.1 *Albania*

➤ *Country context*

Of the four countries in the study, Albania is distinguished by several factors. The Government of Albania (GoA) has given significant attention up front to the establishment of a robust policy environment, and adequate legal structure, to facilitate the decentralization process. Despite a relatively poor record of donor coordination, aid-funded interventions are now well advanced because of this framework, and because of the Albanian government's consistent use of policy to be the driver of reforms in local governance. Compared to other countries surveyed, Albania has a slightly better record of demonstrating its recognition that policy and administrative changes are needed to operationalize new laws and reforms, and that simply passing a law does not automatically correct a problem or institute a reform. A continuing need for policy improvements by the GoA still is needed, however.

Policy, in turn, largely is driven by political will. In Albania, this political will has been and continues to be consistent and strong. The central government has been consistently supportive of the decentralization agenda and the principles that underlie this, and this sense of "agreement at the center" has been a strong impetus for local government reforms to date. It is still too early in Albania to measure progress, however, as reforms that are intended to improve the provision of better public services at the local level, and better local governance generally, are in their earliest stages.

Albania is a relatively small country, and interventions there benefit from the geographic proximity of sites where the interventions occurred and the relative ease in sharing data and experiences between participating local governments. Of significance, Albania began its program of local government reform and decentralization much later than its neighbors and the other three countries in the study, and therefore potentially had the benefit of being able to access their experience. In practice, this regional exposure was limited largely to applications in the finance sector. Formal networking within Albania, and to the region, is not that well established. The need for this networking, however, is recognized by all parties and efforts are being made by donors, the Albanian Association of Municipalities (AAM), and the municipal officials themselves to find a networking approach that is responsive to Albania's small size and its past history of isolation.

Other important and distinguishing features of the Albanian context include:

- The supply of local experts able to support reforms in local government, and an expanded role of local government through decentralization, is limited to a relatively small number of consultants and NGOs in Albania. Similarly, the market demand for their services is small, as local governments do not have financial resources sufficient to engage the services of such outside domestic expertise. It is also noteworthy that the peer relationships between and among professionals associated with local governance are weak in Albania, with very little formal networking (i.e. organized networking meetings or systems) in evidence.
- The role of associations of local government officials (elected and/or appointed) is relatively new in Albania. Organizations that do exist, such as the Albanian Association of Municipalities (AAM), do not yet demonstrate deep legitimacy or a clear mission.
- The choice to start the decentralization of local public services at scale with the water supply and distribution sector creates a deep and long-term challenge because of complicated financial, technical, organizational, and community issues. Of particular concern is the current lack of capacity within local governments to oversee these services. In Albania, the partners involved in these interventions appear to have underestimated how difficult this undertaking will be.

➤ *Descriptive overview of the country program*

Up until 2000, USAID divided the local government assistance into two major initiatives, consisting of a policy component (implemented through several task orders) and a local government capacity building component. The latter was the Public Administration Program in Albania (PAP/A), and it focused on budgeting techniques, capital improvement plans, economic development plans, and municipal services. The most significant policy intervention was the assistance given to the national government from 1998 to 2000 in the preparation of the National Strategy for Decentralization. This Strategy led to the Organic Law of Local Government of 2000.

Beginning in 2000, USAID integrated these two components (policy and capacity building) into one larger program, called the Local Government Assistance and Decentralization (LGAD) program. Under this, USAID's partners provided technical assistance to the central government to reform the policy, regulatory, and legal environment to accommodate decentralization. USAID also provided training programs for mayors, city council members, and municipal officials, intended to help develop their capabilities in technical, managerial, and financial aspects of local governance.

USAID was also involved in some other interventions that were complementary to the strengthening of local government. These included the Resource Cities Program (twinning Tirana with Catawba County in North Carolina), and various interventions aimed at political party building, improved citizen participation in local governance, small-scale infrastructure projects, and anti-corruption activities.

➤ *Key conclusions of the MSI team*

USAID has pursued an approach in Albania of linking policy and legislative reforms in the central government with specific support to selected municipalities. Technical assistance focused on support to develop capital improvement programs, performance measurement procedures, and budgeting systems. As USAID moved into its most recent intervention, LGAD, it is noteworthy that this new program was able to begin quickly because USAID and its partners already had established effective relationships with key central government stakeholders and many local governments.

There are four categories of local governance priorities that USAID focused its efforts on, to varying degrees of intensity. The first of these categories had to do with the need of local governments to learn how to manage their resources in the context of multi-year planning that was responsive to community needs. This entailed specific reforms to existing financial and budgetary systems at the local government level. Second, local governments were challenged to internalize and institutionalize the virtues of public service, accountability, and transparency. Third, decentralization progressively moved control and management of more local services (water, sewerage, solid waste collection and disposal, etc.) to local governments. This in turn required these local governments to develop capabilities for securing sustainable financing of these services and technical skills to maintain and expand these services. Fourth, and of less focus for USAID, was the need for local governments to exercise greater control and direction over land use planning, and associated integrated development strategies.

USAID also took care to build their local governance programs upon a foundation of understanding about the Albanian context. Pilot cities were selected by USAID where USAID knew there was a credible base for economic growth, and where there were mayors and public officials committed to reform, security, and political stability within the local government. USAID approached sensitive issues with care, such as local resistance to some aspects of the decentralization agenda. Decentralization almost inevitably entails a need to raise rates on local utilities as these passed into local control, and as national government subsidies declined, and USAID's interventions approached this situation with evident care. By providing highly targeted training, USAID helped local government officials to become conversant with basic principles of local provision and financial support for infrastructure services.

Albania, as a relatively rural country of just 3 million persons, does present some constraints that are not easily overcome in the short-term. Many of its municipalities are small, and only a handful of these urban areas exceed populations of 15,000 inhabitants. Smaller local governments are less able to absorb technical assistance, and lack the resources to hire adequate numbers of competent staff. Persons with appropriate skills to support local government functions are also in short supply, so many local governments experience gaps in their range of competencies.

One advantage of Albania's small size is that virtually all municipalities of any appreciable size have had some contact with USAID and its partners, but it is not possible, within resource constraints, to accurately measure the degree to which USAID's interventions have been institutionalized within these many municipalities, or what the onward spread effect has been. Sustainability is, however, a significant concern; it appears that neither USAID (or any donor, for that matter) nor the Albanian government has a specific strategy for the longer-term sustainability of training programs and support mechanisms⁶ for local governments.

⁶ Such support mechanisms include an accessible and regularly updated database, building upon the research carried out during USAID interventions, both in Albania and in the larger E&E region. Other "mechanisms" include a roster of qualified local consultants, NGOs, and others who would be able to provide technical assistance to local governments.

The central government, with a credible degree of commitment and political will, has articulated various objectives of decentralization –primarily associated with the expanded autonomy of local governance. These objectives enjoy broad support throughout local governments in Albania; there appear to be no local governments taking a political or ideological stand against this policy. USAID has been the Albanian government’s foremost partner in decentralization, and the impact of USAID’s assistance in the policy reform arena has been regarded as highly beneficial. USAID also has linked its activities (specifically under the LGAD program) directly with policy reform.

USAID has been less successful in supporting the growth and sustainability of local government associations (e.g. the Association of Albanian Municipalities, which remains relatively weak and without a strategy to become self-sufficient⁷). The impact of USAID’s efforts to foster citizen participation is better, with many cases noted where local governments were actively pursuing citizen involvement in local decision-making, and using focus groups to test proposed changes to rates structures for local services. Problems still persist, however with many local governments reporting a largely apathetic populace, and local strategic development plans being developed with very superficial levels of public participation.

For the residents of cities and towns in Albania, the litmus test of the beneficial impact of USAID interventions is almost certainly that aspect which they see most clearly – whether municipal services have improved. An accurate assessment of whether services have improved would depend on reference to baseline data – which unfortunately does not exist. Clearly, however, many local governments are now much better able, due to USAID-funded training, to manage and budget for the provision of local services, and to procure private and civil society sources under subcontracts to meet many local needs.

3.4.2 Poland

➤ *Country context*

Poland has moved quickly but not smoothly since 1989 towards the adoption of a market-based economy, with decentralization as a constituent element of that reform agenda. It has been a difficult transition, as long patterns and attitudes of centralized control were not easily transformed, and changes in political leadership led to varying levels of support for decentralization. By 1999, however, as USAID’s last local government program in Poland reached its end, a three tier system of government had emerged with significant authority vested at the local level, accompanied by reorganized government functions, administrative relationships, and fiscal flows at all three tiers.

As of 1998, local governments had acquired many market-based disciplines and have been granted broad responsibilities, including solid waste collection and disposal, streets and local roads, water and sewerage, municipal housing, physical (spatial) planning and land use controls, central heating and gas, primary education, local public transportation, and some social services. Local governments also have the authority to set tariffs, borrow, and issue bonds to finance local capital improvements.

Most Polish citizens are satisfied with the success of local government reforms to date, but public pressure for more effective management and better leadership at the local level remains high. Local governments, lacking many essential capabilities and limited in their resources, have lagged behind the central government’s pace of decentralization reforms. In addition, there are signs that concern is growing among Polish citizens over the undermining effects of corruption among public officials.

⁷ This institutional weakness is due largely to a lack of adequate financial support and consequently a limited internal administrative and technical capacity. Other contributing factors to the AAM’s weakness include reported rivalries between the AAM’s membership and key central government officials, and no internal process within the AAM membership to explore, identify, and develop a clear institutional role and mission.

➤ *Descriptive overview of the country program*

Starting in the early 1990s, USAID was active in its support for local governments. Initially focused on housing and general urban development assistance, USAID provided training and technical assistance to help restructure the housing finance system, and to bolster the financial capacities and solvency of local governments. In the Municipal Advisory Program (1995-1997), USAID support for local government strengthening included capital investment planning, bond issuance, and municipal creditworthiness, as well as a concurrent central government policy focus to support essential regulatory and legal changes.

Somewhat earlier, in 1992, USAID's Local Environmental Management Program began, concluding six years later. Framed against the requirements imposed by European Union accession, USAID's efforts under this program assisted 50 local (district) governments to improve their capabilities with respect to environmental infrastructure (wastewater, solid waste, and heating services).

In 1996, USAID began a two-year effort under the Democratic Governance and Public Administration project to advise on effective policy for the financing of municipal utilities, and to offer guidance to central government on intergovernmental financial issues in the context of decentralization. The Increasing Municipal Access to Credit (IMAC) project carried the focus on municipal utilities forward to 2000, concentrating on water pricing, economic regulation, and service guidelines, ultimately culminating in the passage of the Water Supply Law.

USAID's last major local governance initiative in Poland was the Local Government Partnership Program (LGPP) of 1998 to 2001. This was distinctive in that USAID turned away from its earlier joint focus on national policy and local capabilities, to concentrate on consolidating the gains made and lessons learned at the local government level from all relevant past USAID programs. USAID decided to bring together the most effective practices and tools developed to date, to then implement them as an integrated package in as many local governments (*gminas*) as possible within the relatively short time period. LGPP was intended to help districts to deliver services and manage their resources more effectively, to improve those organizations that support the functions of local governments, and to stimulate community and citizen participation in local governance. USAID established partnerships with 48 districts (and unions) to design and test new management tools, and to test USAID-selected "best management" practices. The emphasis was also on dissemination of positive results and useful information, strengthening of Polish training organizations, and advocacy advice to local government lobbyists.

In overview, the approach to local governance reform adopted by USAID evolved over time, beginning first with relatively small ambitions for the generation of a positive national impact. In later stages, the interventions became expansive, as USAID sought to create a catalyst for change through a spread effect emanating from multiple intervention sites. In the process, USAID's local governance reform agenda arguably became diffuse, as it attempted to address a plethora of objectives in many urban areas.

➤ *Key conclusions of the MSI team*

In retrospect, it is now apparent that the most important drivers of reform were local demands for democratic governance, harkening back to pre-Communist era structures, and external pressures from the EU and neighboring countries. The internally generated momentum for reform at the central government level was also a significant factor, and the convergence of all of these drivers of decentralization meant that by 1999 the essential framework for decentralization had been established, and attention then moved to how best to divide authority between different tiers (*poviat* and *gmina* levels) of government.

The local governance policy reform agenda in Poland was also top-down, but was generally consistent throughout the whole period examined. What was not consistent, however, was the political will needed to drive the process. Political will waxed and waned depending on what political party held office, and the quality of collaboration between local governments and the central government was similarly affected.

Other significant conclusions include:

- The Poland program was successful in engaging a large number of Poles in the provision of technical and logistical services, gradually generating a relatively strong supply of such expertise. Unfortunately, USAID was not able to be a catalyst for the creation – outside of heavily subsidized donor funded programs – of a sustainable demand for this new and expanded supply of expertise. In particular, USAID’s programs strengthened and greatly expanded the pool of Polish consultants with expertise in local government financial management, but after USAID funding was exhausted, there was not a robust local demand sufficient to absorb this capacity.
- The time frame for USAID’s most significant local government intervention, LGPP, did not exceed three years. This was an inadequate timeframe for such an ambitious program.
- The technical assistance provided through the USAID interventions did not always align clearly with the needs of decentralization or other specific local governance needs.
- Cities became much more focused, engaged, and interested in participation in the USAID interventions once the format for projects shifted to a competitive, cost-sharing basis among candidate cities.
- In these many local governance programs, USAID engaged multiple, different contractors (partners). In many cases, these contractors’ assignments pursued very different trajectories, passing over many opportunities for complementarity.
- The program in Poland also was characterized by a relatively large number of media applications, workshops, conferences, and dissemination activities, but even the aggregate of all of these efforts failed to generate a sustained, long-term positive impact. Training materials, for example, are still widely present in cities and professional associations, and they are sometimes used, but no clearinghouse, library or other dissemination mechanism was sustained.

3.4.3 Romania

➤ *Country context*

Since the fall of the Ceausescu government in 1989, Romania has changed dramatically. As early as 1991, Romania’s new constitution emphasized the importance of local government, harkening back to a time between the two World Wars when local governance (modeled on the French system) featured prominently in the overall governance structure. Under 1991 legislation, local government units were established with counties as well as lower level units (municipalities, communes, and towns). By 1993, local authorities were granted some powers of taxation, and at this juncture USAID began its first initiatives in support of improved city management.⁸

Progress towards meaningful decentralization remained slow during the first half of the decade, as vested powers in the national government resisted significant transfers of power. With the 1996 elections, however, new political will was harnessed to reinvigorate decentralization, and USAID responded quickly with technical assistance that culminated in the passage of the Law on Local Public Finance in 1998. The prospect of membership in the European Union in 2007 has also provided powerful incentives to drive the decentralization agenda.

The elections of 2000 complicated the progress of decentralization, as the pre-1996 coalition returned to power. While a commitment to the principle of decentralization remains in place, complicated questions have been raised about the extent to which many of the larger cities (particularly those dominated by the opposition party) will be allowed to participate in shaping the new system of local governance. Questions also exist with respect to the adequacy of financial flows to local governments to enable them to carry out the many new and broadened responsibilities now transferred to them. Sophisticated questions

⁸ USAID assistance on decentralization policy in Romania did not begin until 1997.

characterize the current Romanian government's approach to decentralization: What kind of decentralization? How far should decentralization go? Who gets to decide on the character of decentralization? However, many observers believe these questions mask a simple desire by the current ruling coalition to maintain a relatively significant degree of centralized authority.

➤ *Descriptive overview of the country program*

USAID's focus during most of the 10 year period studied was not on policy reform, although this became a USAID priority during the 1997-2000 period. Both prior, and subsequent, to that three-year period, USAID's programming concentrated on a variety of municipal capacity strengthening interventions. Then in 2002, USAID's major new project, Governance Reform and Sustainable Partnerships (GRASP), changed the Mission's focus substantially. GRASP is characterized by a bottom-up orientation targeted at civil society capacity building, in support of more effective provision of public services – even to the point of supplanting the local governments in the performance of these functions.

The USAID local government program involved five major interventions, with five different U.S. contractors (partners). Unlike the case of Poland, relatively few Romanian staff and experts were hired.

USAID local governance assistance began with two programs managed by USAID in Washington. First was the Local Government Assistance Program I (1993 – 1996). Concentrating on a small number of interested cities, this program supported the new decentralization efforts by providing technical assistance and training in public management skills associated with the delivery of municipal services, and financial effectiveness. The second was the Municipal Finance and Credit program (1996 – 1999), which focused its attention on the central government to support regulatory reform and legislative changes essential to move decentralization forward. This program also helped 3 local and county councils (for subsequent dissemination to 15 other councils) to evaluate their fiscal capacities, and to develop appropriate financial models.

Overlapping the Municipal Finance and Credit program, USAID (managed from Bucharest) began in 1997 the Central and Eastern Europe Public Administration Assistance Project (CEEPAA).⁹ Under this, 10 local governments received short-term technical assistance.

The fourth USAID intervention was the Local Government Assistance Program II (LGAP II), which was the first local governance project directly contracted by the Romanian Mission of USAID. Building on the achievements of the two earlier projects, LGAP II was characterized by a mass training effort embracing the local governments of many cities and towns, with multiple workshops and study tours on association development, citizen participation, budgeting and public management, and local economic development. The project was particularly interested in strengthening local government associations. In its third and final year, after a period of delay awaiting contract extension, the focus of the project changed to include engagement with central government on several decentralization issues, and a shift away from broad training to concentrate instead on direct technical assistance to 8 (eight) selected local governments.

The most USAID recent intervention reviewed (in May 2003) by the MSI team was the Governance Reform and Sustainable Partnership program (GRASP). Begun in late 2002, after a gap between this and the preceding LGAP II project, GRASP was slow to gain momentum. The focus of GRASP is significant, however, as it represents a departure from USAID's previous approach by concentrating on local civil society organizations, inviting them into a planning and participatory process to identify and address decentralization problems, facilitated by GRASP technical specialists.

⁹ CEEPAA was a regional project into which the Mission bought-in.

➤ *Key conclusions of the MSI team*

It is clear that USAID's interventions helped to local governance. Management quality at the local level improved over the ten-year period, and USAID's support clearly contributed to this result. This improvement has been reflected in the improved ability of many local governments in Romania to analyze and understand the issues that confront them, and the resources that they can bring to bear on problem solving. These local governments are now much better at finding effective solutions to the many problematic issues that they regularly must deal with.

Unfortunately, USAID's relationship with central government on the issues of decentralization and local government reform has not been consistent, and at times has been characterized by periods of "stepping away" from engagement with central government. In earlier stages of USAID activity, USAID held a clear leadership role among donors in policy reform, but later appeared to disengage somewhat from this role as USAID's focus shifted to a grassroots focus, and as a government, less committed to thorough decentralization, assumed power after 2000. Some of the lack of consistency in program emphases is probably attributable to the many discontinuities in staffing within the USAID Mission, affecting staff in both management and administrative functions. The end result is that USAID did not achieve as much as it might have in the policy sphere.

Other important and distinguishing features of the Romanian context include:

- The relatively large number of U.S. contractors (partners) involved was not a negative factor in itself, as each contractor was engaged on different issues, but the multiplicity of issues underscored a general lack of consistency within USAID's local governance reform program. New projects did not take very good advantage of the lessons learned by earlier projects, nor did they build upon previous accomplishments.
- One view of the differences in approaches adopted by USAID might best be framed in the context of where the interventions started, either in a few pilots that then were expanded through training and workshops to a broader number of towns, or with training and workshops in the beginning that then narrowed down to focus on a small number of towns.
- Only one external evaluation was carried out on these local governance reform projects over a ten-year period. USAID did not articulate what its expectations of "good long term results" were, and this lack of clearly defined standards further complicated any on-going or subsequent evaluation efforts.
- USAID's emphasis on program-based budgeting at local government level was not well aligned with the budgeting standards established by the central government. For local governments, the driver was the Ministry of Finance, and not USAID, so program-based budgeting was assigned a lesser priority by local governments.
- The local governments in Romania demonstrated a high level of capacity to absorb training, but the training offered was often problematic, in that it was too generic and too general in content. There was a widespread opinion registered that the training offered did not respond well to the specific needs of individual cities.
- The Government of Romania appeared to assume that reforms would automatically follow the passage of new reform legislation without the detailed articulation of an implementation strategy. It further assumed that such changes would also be sustainable. This proved, in retrospect, to only be a valid assumption when a strong external driver (World Bank, USAID) exerted significant influence to this end.
- USAID and its contractors did not include any well-articulated dissemination strategies to harness the potential for generating a positive, nation-wide impact. Some of the USAID activities had, inherently, a dissemination element. For example, the legislative work of Urban Institute was nationwide in scope, and the work carried out by IRIS had an element of nationwide activity.

The workshops and training in each participatory program also contained some elements of dissemination.

- With a few notable exceptions, the training was focused primarily on management practices, and not enough on understanding the broader legal framework (although targeted training was provided on the new public finance legal framework).
- All of the USAID interventions were relatively short in duration, which limited their potential for generating a lasting positive impact. Some interventions, e.g. program based budgeting, were probably introduced prematurely, with respect to overall progress in decentralization.

3.4.4 Ukraine

➤ *Country context*

Following a one thousand year period of foreign rule, Ukraine's achievement of independence in 1991 posed enormous governance challenges. Many essential institutions of governance needed to be created, as did an environment conducive to a market-based economy, democratic governance, and civil society organizations. Newly formed local governments were – and to a very large extent remain – inadequately funded, and the authority and discretion of local governments remains ill defined. This situation of weak local governance is further exacerbated by often-grudging and generally tepid central government support for decentralization, widespread corruption, and a shortage of trained personnel.

Ukraine represented a particular challenge among the four countries surveyed, given its large geographic coverage, weak economy, and its weak institutional capacity. In such an economy, there were few opportunities for development and innovation, and few strong incentives to drive positive change. A market orientation towards the provision of local government services is not well established in Ukraine, and decentralization (in terms of local autonomy realized) is the least advanced of the four countries.

➤ *Descriptive overview of the country program*

USAID chose an approach distinctive from the other three country programs studied, initially not focused on direct engagement with central government regarding essential reforms to facilitate decentralization. Central government had demonstrated very little sustained political will for local government reform and decentralization, and lacking this political will, USAID instead pursued a relatively “thin” agenda of multiple (and mostly short term) standardized technical assistance interventions directly with local governments. Based on the principle that democracy is built from the ground up, USAID interventions focused on a dual approach, mixing highly technical projects (improving transportation, water and heating services, and supporting the privatization of local housing), with basic skills training on the “good governance” virtues of accountability, transparency, and responsiveness.

Before 1997, USAID has focused its local governance efforts under the Municipal Finance and Management Project (1994 – 1997) on just three cities, and on the formation of an Association of Ukrainian Cities (AUC). Examples of USAID-funded technical assistance included improvements to financial systems, citizen participation to generate a demand for “good governance” free of corruption, and specific technical support for credit-worthiness examinations of cities in preparation for locally managed water supply and distribution projects.

Six additional cities received USAID support starting in 1997, with the Effective Local Government Project and the Public Transportation Improvement Project. The former was directed at supporting municipal finance and management skills, while the latter concentrated on improvements to bus and trolley services.

Support to the AUC continued with the Municipal Development Loan Fund Project of 1998, which also assisted two cities to qualify for municipal borrowing from the World Bank. The AUC component was

based on training in advocacy skills, so that the AUC could represent its members' interests by lobbying central government for better financing of local governments. The AUC was again the focus of USAID assistance in the 1990 project called Dissemination of Regional Offices for the Association of Ukrainian Cities. This project, together with its extension (Add-On For Smaller Towns), emphasized the regional strengthening of AUC capabilities.

USAID's emphasis moved to water supply, with initial efforts starting in 1998 to assist the World Bank in the evaluation of water infrastructure rehabilitation projects in Lviv. This was followed by USAID's Water Roll-Out Project (1999 – 2003), which provided training, technical assistance, and grants to 8 cities to improve their technical and management skills, and to prepare future action plans for technical and managerial improvements in anticipation of further central government policy changes. The renewed interest in policy issues led USAID to the Tariff Reform Project (2000 – 2003), aimed at two pilot schemes to demonstrate more effective management of district heating companies, and to pursue reforms to laws and regulations governing communal services tariff-setting and collection.

USAID also pursued other projects associated with local governance. Starting in 1997, USAID supported the Community Partnerships for Training and Education Program (CPP), setting up 14 partnerships between Ukrainian and US cities, as well as 4 regional training centers.

Nearly all of the USAID projects included grant components as an incentive mechanism.

Later, as the political will began to crystallize, USAID sought to re-engage with central government on matters critical to the decentralization agenda, and towards an agenda that also would feature local economic development (LED). Until central government would commit itself to the reforms needed to drive such an expanded agenda, USAID judged that it needed to focus its assistance on management and technical projects.

The potential for information dissemination between cities is relatively advanced, as most cities have a good standard of Internet and telecommunications service, and networking activities already exist between and among cities in Ukraine.

➤ *Key conclusions of the MSI team*

While the USAID local governance program in Ukraine suffered from a relative lack of a long term strategic vision and some weaknesses in program integration, USAID did consciously attempt to incorporate the lessons of earlier interventions, choosing for example in the relatively recent Tariff Reform Project to concentrate interventions on a smaller but still significant (20) number of cities. The overall impact however, at an aggregate national level, was not significant. This low impact is attributable to the relatively inadequate resource base common to Ukrainian cities, the inability of cities to raise revenues, and the constraints that persistent poverty and centralized political authority impose on the transfers of funds from the central government to the local governments.

Other important and distinguishing features of the Ukrainian context include:

- The Association of Ukrainian Cities (AUC) has played a convincing advocacy role, but there are considerable doubts as to its capacity to function as a training provider or as a driver and generator of effective policy.
- USAID often did not have realistic expectations as to the level of technical competence and capacity available in local governments.
- Regional training centers established through USAID interventions, as well as the Community Partnerships program, had very mixed results.

- Twinning arrangements created through USAID's interventions, which required a significant proportion of the available USAID program resources, resulted in strong international city-to-city relationship building, but few tangible results.
- Feedback received from the cities indicates that a strong preference existed for much more customized technical assistance interventions, responsive to the needs of individual cities. The technical assistance that the contractors provided – particularly in training – tended not to have been customized (although technical assistance for tariff reforms was more tailored to specific cities).

4.0 ASSESSMENT ~ SYNTHESIS AND ANALYSIS

In this chapter, the MSI team presents its analytical findings, based on an analytical framework established in the terms of reference for this assessment. This is followed in the next chapter by specific recommendations.

4.1 Appropriateness, Quality and Impact of the Technical Assistance Delivered

The elements that contribute to achieving good local governance and effective decentralization are legion, particularly given competing and highly localized priorities and widely varying local capacities to absorb and apply technical assistance. Even the credibility (in the eyes of the public) of those priorities identified as “local development priorities” associated with good local governance is a variable, as the level and quality of community participation in decision-making varied widely within the four countries surveyed.

In short, the appropriateness of any proposed intervention depends on a variety of factors, such as:

- Local articulation of local government priorities. By whom, and how well articulated, are such stated priorities? Are politically controversial priorities ignored? What political biases are expressed through these priorities? How might these biases undermine, or possibly complement, authentic fiscal or administrative decentralization?
- Temporal context. Are the stated good governance priorities linked with a phased and realistic program of achieving development goals?
- What’s on offer? Does supply match demand? In most cases, USAID used its own judgment (and its larger programmatic Strategic Objectives) to formulate a menu of interventions intended to foster and sustain good local governance. USAID’s menu may not have aligned with a municipality’s ranking of priority needs, but resource-poor municipalities were generally happy to avail themselves of what was being offered. The view taken by many of the municipalities surveyed was that for those priorities that USAID’s programs chose not to address (e.g. integrated physical development planning and land use controls, local economic development), such municipalities would solicit help from other sources (donors, national governments, NGOs). Two important elements missed in USAID’s approach were first, the failure to identify an integrated, holistic overview of all significant aspects of local government capacity strengthening that were required, even if USAID subsequently chose to address only a sub-set of these. Second, if USAID’s agenda did not achieve buy-in from the local governments concerned, the chances for sustained beneficial impacts were greatly reduced.
- Method of implementation. The determination of appropriateness of USAID’s local government interventions is not limited to the content of the intervention, but also to how and when the intervention was implemented. In this context, the most significant variable is the choice of how many cities and towns to involve in USAID’s local government program in each respective country. Given a finite level of resources available to USAID, the risk is that by basing interventions in too many locations, each separate intervention would of necessity be modest in scale, and hence unlikely to stimulate a groundswell of positive change above and beyond the target of the intervention itself. The opposite approach entails similar risks – having but a few larger scale interventions might well result in the geographic isolation of positive impact, thereby constraining any potential for spread effect to distant cities and towns. However, the program history suggests considerable momentum in favor of multi-site interventions that in the end are overly thin, and not strongly matched to locally identified needs.

In all four countries, USAID’s local government programs concentrated on a range of interventions that are generally recognized as being essential – and hence appropriate – to the needs of local governments. USAID’s projects stressed financial management, decentralization policy, general strengthening of local

government management skills, and networking. The governments concerned (local and/or national, depending on the specific intervention) viewed the improvement of these capabilities to be highly appropriate to their many needs.

USAID's local government assistance extended beyond these core activities, however, to address other needs. For example, in Poland USAID also emphasized the development of a sustainable base of local consultants, able to support the needs of nascent decentralized local governments. In retrospect, while it was clear in principle that skilled and professional local experts were available, in reality the local market was not able to generate adequate demand and sufficient financial resources to transform this base of expertise into a formal consulting pool of local professional and technical enterprises once USAID support was removed. From this vantage point, USAID's support might be seen as inappropriate, since it raised and then dashed expectations among local consultants of a long term, worthwhile livelihood, and among local governments of an accessible and affordable resource base of professional skills. Currently there is a modest but active consulting market (mainly with projects funded by other donors), but many consultants are finding clients outside of Poland, and the consultants as a group clearly suffered through a period of very low demand immediately after LGPP was completed.

Many variables and stakeholders also determine the quality of the technical assistance provided. First, supply must align with demand. The validity and "fit" of the USAID-articulated scope of work for each constituent project in USAID's local governance interventions, relative to clearly assessed demand, must be considered. Second, the methodological skill and professional competence of the partners that USAID contracted to carry out these projects is a central factor. Finally, the quality of participation by the intended beneficiaries – their interest, level of commitment, willingness to collaborate, and their own level of basic competencies – all contribute to the outcome.

The MSI team's assessment did not extend to an evaluation of the quality of the work performed by the various partners of USAID who carried out the many projects, but the survey instruments that the team employed did enable the team to gain an understanding of the beneficiaries' perspectives. Similarly, the survey directed questions on qualitative aspects to USAID officials and project practitioners, and gleaned insights on quality. The results in all cases, however, are anecdotal, reflecting the cost and time limitations under which the MSI team operated¹⁰. The survey also was intended to identify and articulate factors that strengthened the quality of USAID programs. Among these factors, the survey's most prominent results were that USAID should adopt realistic implementation time frames, a consistent focus on key issues, and a rigorous assessment of local needs.

The consensus of the MSI team was that the quality of the interventions – both as conceived and as implemented – was generally very good. The most important factors that diminished the overall quality of the interventions, as noted in the surveys carried out, generally included such issues as:

- Scope and time. Many interventions featured ambitious or even highly ambitious objectives, and the relative shortness of the implementation period in many cases made it difficult to generate and then institutionalize important reforms to improve and sustain good local governance practices. The mismatch of programmatic ambition and timeframes also has made it difficult to gather lessons learned from ongoing and recent program efforts.
- Variations in focus. In some cases, and mostly as a result of changing political factors or the evolution of decentralization in that country, USAID changed its focus from a combined approach aimed both at central government (policy, legal, and regulatory environment) and local

¹⁰ More sophisticated but costly qualitative surveys might have included more detailed surveys coupled with focus groups and the coding of results, for statistical analyses. Given the vastly disparate conditions in the four countries, such sophisticated techniques would still have struggled to achieve meaningful comparisons between countries, and would probably not have been cost-effective.

governments (strengthening of capacities, institutional strengthening, minor infrastructure support), to focus on only one or the other. Arguably, USAID should have maintained a consistent focus – even if at varying intensities – at both tiers of government throughout the intervention period, although in reality this is exceptionally difficult to achieve.

- Spectrum of interventions. The tight focus by USAID on financial, budgetary, participatory, and administrative aspects of local governance (policy and applications) had the virtue of allowing USAID and its partners to direct energies and resources on specific targets to in turn generate measurable and important results. While USAID clearly cannot support local governments through all aspects and sectors involved in local governance, there is an argument that the many other critical aspects of effective local government at least should have been identified, and efforts made to coordinate with other donors and the governments concerned so that these aspects – outside USAID’s area of primary interest or capacity – would not be ignored or forgotten. USAID did broaden its scope in some projects to address issues of corruption, gender, public health, local service provision, and IT, but not in a manner that would inform a broader level of implementation in the four countries. Other aspects, such as the environment, land use planning and controls, building regulations, human rights, conflict, adaptive reuse of existing infrastructure, transportation, the informal sector, and similar concerns were not addressed. USAID did pursue other SOs, and other projects, within and beyond the USAID LG programs, that were nonetheless relevant to LGU capacity building and the improvement of local governance. Examples include programs in local business promotion, environmental management, and civil society.

While clearly good work was carried out in all four of the country programs, there also were substantial weaknesses and missed opportunities in some specific aspects of each of the programs. The overall impact of USAID’s efforts in improving the quality and effectiveness of local governments in the four countries, however, cannot be statistically assessed. Many of the interventions were too recent to have had the time to generate significant impacts, and in most cases the baseline data to compare change is not available. Results are also variable depending on locality; in cities and towns where interventions were concentrated, the results will be more significant than in areas that depend on spread effect and dissemination.

In looking at the results frameworks used by the four countries (refer to Appendix 6.2), the most relevant Strategic Objectives and Intermediate Results concentrated on:

- Enlarging the role of civil society in economic and political decision-making;
- Improving citizen participation in local governance, and generating greater local government legitimacy;
- Local governments achieving progressively greater autonomy from central government;
- Strengthening of democratic institutions, political parties, and elections;
- Improving the decentralization and local governance policy environment;
- Increasing the capacity of local governments to deliver services, and of out-sourced service providers to deliver those services effectively;
- Improving technical and managerial capacities within local governments;
- Helping local governments to become more service-focused and public-spirited;
- Improving the capacity of local governments to carry out strategic planning;
- Local governments becoming more responsive, accountable, and transparent; and
- Improving the fiscal and budget management at the local government level.

Individual Missions will continue to monitor these more detailed results over time, but based on this assessment the team can discern the most positive impacts in the participating cities and towns in fiscal and budget management skills development, and in the improved ability of local governments to manage

and deliver local services at sustainable cost levels. At the national level, the results are mixed, and a verdict on the most significant and desirable result – achieving a positive impact beyond just the participating cities and towns – remains unclear. The team, however, did discern significant positive impacts in the policy environment being made more conducive to decentralization and good local governance, particularly in Albania and Poland, but results in Ukraine were not satisfactory.

4.2 The Role of Local Organizations

The degree to which USAID concentrated on local organizations varied significantly in the four countries. In Albania, USAID made tentative steps in exploring a larger role for the fledgling Association of Albanian Municipalities, but did not involve the AAM in a significant way in the past or current interventions. The focus on other local organizations in Albania, including civil society organizations, was not a major element of local governance programs in that country.

In Poland, the role of local organizations was not a priority in programming. USAID interventions in Romania began in similar fashion, but beginning in 2002 changed dramatically to focus specifically on the role of civil society organizations, particularly in supporting (or even supplanting) local government in the delivery of basic services, and by involving civil society in a participatory role in the identification of problems and opportunities presented by decentralization. While USAID's focus in Romania began with little focus on local civil society organizations, it is worth noting that USAID's interest in local government associations was consistently strong throughout the period of good governance interventions.

In Ukraine, civil society remains weak, but USAID did assist in the creation and provided support to the Association of Ukrainian Cities (AUC), particularly focused on training the AUC in basic advocacy skills so that it could be an effective agent to lobby for better central government funding of local governments within the context of decentralization, which is itself a cornerstone of the entire approach to policy reform.

4.3 Demand for Local Government Assistance – Can We Strengthen the Market?

In all four countries, the MSI team had no difficulty in discerning a strong and diverse level of needs for capacity strengthening interventions in support of good local governance. The problem is not in the existence of compelling needs for more effective, responsive, and capable local governments (and for better relationships and collaboration between local and central government, and between government and citizens/civil society generally). Instead, the fundamental problems are twofold: a) the existence (or not) of a policy, legal and regulatory environment driven by consistent political will that is conducive to the goals of decentralization; and b) inadequate funds to support essential local government capacities and services.

USAID interventions, where it was able to provide technical assistance (or at least to exert effective pressure) to improve the policy environment for decentralization, have contributed greatly towards increasing the demand for local government assistance. With particular reference to Albania and to a slightly lesser extent in Poland, USAID was effective in supporting central government efforts to enable decentralization. The experience in Romania was far less successful,¹¹ and in Ukraine the lack of the requisite political will within central government made this intervention highly problematic.

¹¹ USAID was successful with the Urban Institute program from 1996 to 1999, but then the political situation changed with the advent of a new coalition government in 2000. At this stage, USAID stepped back in its efforts to foster decentralization, and has since changed directions to emphasize the role of civil society organizations in the provision of local services. There is evidence of significant residual interest in decentralization among local authorities, but the changes in central government have given little support to such ambitions.

With the notable exception of Ukraine, but in all but a few relatively minor circumstances in the other three countries, USAID did not directly fund any services or activities carried out by local governments. It is arguable that if USAID had provided grant funding for selected investments in local development works managed by local governments, as a “carrot” to encourage local governments to acquire and institutionalize essential analysis, planning, management, and financial skills, that a significant demand for expanded local government assistance would have been generated. In the few cases where such investments were made, as with the street improvements in Albania funded by USAID (using excess funds from Kosovo programs), the high public profile that the local government enjoyed and the elevated interest by the public in local governance support this contention.

4.4 Political and Administrative Context

The lessons learned from the local governance programs in all four countries all include the political factor. Some countries enjoyed relatively strong and consistent political will in support of the decentralization agenda (Albania, Poland), and in these countries the pace and quality of decentralization was perceptibly better than in Romania or Ukraine. This argues for a stronger emphasis on making the existence of this political will at the central government more of a prerequisite to USAID investments in local government capacity strengthening interventions, and to other programs addressed at good local governance. Even where political will in support of decentralization is lacking or variable, USAID may be able to play a very effective role as a powerful external influence advocating for this commitment by political leaders. Practically speaking, it is difficult for USAID to accommodate a political role such as this “external advocate” position within the demands of existing programmatic processes. While program designers do need to be realistic and focused about what to do to foster stronger and broader political will, this assessment argues that working only at the local level does not guarantee that political will at the center will follow, and it faces the risk that the local work cannot be deep or sustained.

The administrative context is less easy to define. Both central and local governments must possess adequate administrative capabilities – and civic-minded attitudes – to support and strengthen good local governance. The presence of such administrative capacity is a function of training, access to a pool of educated personnel to fill civil service vacancies, access to complementary technical assistance, and the adequacy of funding to support a robust administrative structure and to compensate civil servants such that they have incentives to perform well. USAID has worked hard in all four countries to improve administrative skills through training and dissemination of information, but the results are mixed as they pertain to other issues of human resources and the generation of sustainable local funding levels.

Political and administrative factors also affect USAID Missions. Changes in political administrations in Washington bring changes to USAID as an institution, and these changes affect priorities in the work of the Missions. Similarly, changes (and, in some cases, delays) in the assignment of USAID personnel serving at the Missions, and in the staff of the project contractors, all have a direct influence on the orientation, success and progress of local governance interventions.

4.5 USAID Design and Management of these Activities

As indicated above, there are many “lessons learned” now that – had they been known at an earlier date – might have served to improve the design of various local governance interventions. Given the knowledge base at the time, and the specific context in each country as programs and projects were designed, the general picture is one that shows USAID making a well conceived and generally well managed effort to achieve its strategic objectives by means of targeted local government strengthening and support.

The complexity of decentralization, the limitations of funding, and the vagaries of political will all led to a lack of precision in defining methodological principles. Among the most contentious design issues faced by USAID in these programs were:

- Whether to focus the interventions as fairly intense activities in just a few locations, in order to achieve dramatic results that could then serve as an incentive for other cities and towns to emulate; or
- Whether to focus instead on spreading the activities as broadly as practicable, to maximize the number of cities and towns that would benefit by USAID assistance, hoping thereby to create sufficient momentum and geographic spread to encourage sustainability;
- Whether to subsidize the market for local consulting skills so that local governments would be able to avail themselves of excellent private (and civil society) sector services in support of local government functions, at the risk of not being able to stimulate sufficient demand to sustain these local experts once subsidies ended;
- Whether to focus on a relatively narrow range of local government functions (e.g. budgeting and financial aspects), or to try to achieve a minimum threshold of competence within local governments across a wider range of basic functions (planning, engineering, environment, parks & recreation, public relations, etc.).
- Whether to design programs that focus on a top-down approach, concentrating on effecting essential reforms at the central government level to enable decentralization to progress; or
- Whether to start with grass-roots bottom-up efforts to build a constituency for effective, responsive local government, leading to direct assistance to local governments so that they in turn would be empowered (by demonstrated capacity and performance) to demand ever greater autonomy from the central government; or
- Whether (and how) to balance a program between bottom-up and top-down approaches (instead of assuming either an exclusively top-down or exclusively bottom-up approach).

In practice, USAID Missions in each country (and to some extent in Washington) took varying positions on each of these issues, except to generally all focus on a range of interventions that could be described as “budget-led”. The ambition and spatio-temporal “footprint” of local governance programs tended to be determined in large part by the levels of USAID funding available to the programs, rather than an analysis of evolving country contexts or needs of localities. This assessment argues that programs need to be more realistic and focused. This assessment also makes the case for some specific leanings on these variables (e.g. for an approach that combines both bottom-up and top-down applications), but the highly particular conditions in each country make it impossible to argue more categorically for specific design principles, and against others.

5.0 ASSESSMENT ~ CONCLUSIONS AND RECOMMENDATIONS

5.1 Lessons Learned ~ General Assumptions and Enabling Environment

5.1.1 *Policy Enables Reform*

Establishing an effective policy environment, with appropriately crafted legal mechanisms in place, is an essential prerequisite to the success of any successful intervention at local government level. USAID should model future programs on past successes in this context, such as in Albania.

5.1.2 *Institutionalizing the Knowledge*

In all cases examined, there were inadequate methods established to store, update, and make accessible the data, program information, technical tools and training materials developed during the various interventions. This is particularly important with respect to training materials. USAID should give greater prominence to institutionalizing – and making readily accessible – the knowledge generated by local governance interventions.

5.1.3 *Bottom Up versus Top Down*

“Bottom up” decentralization and reforms tied to improved governance have many meanings. Some stakeholders in the four countries used this term to express grassroots movements for local participation and decision-making, outside the institutions of local government. Other stakeholders defined this concept as initiating big changes in decentralized governance by means of small, local applications, such as a pilot program in just a few cities, without attempting policy change at a larger scale. USAID’s programs, when prioritized in the context of a bottom-up approach, adhered more to this latter sense of the term. In the cases where USAID demonstrated a programmatic preference for piloting changes with just a few cities, as a form of bottom-up decentralization, USAID should have articulated or implemented cohesive strategies for dissemination that would have encouraged local adoption of best case results throughout the country. Similarly, USAID’s programs generally should have built in an obvious mechanism for continuing the work after the departure of the contractors. Even had such a dissemination strategy and continuation mechanism been put into USAID’s programs, finding and sustaining the motivation necessary to drive these would still remain problematic. Often motivation is fuelled by fiscal incentives, and USAID should give serious consideration to the inclusion in its interventions of appropriate kinds of incentives (which generally take the form of grant funding programs through such institutions as nonprofit foundations) necessary to sustain a larger dissemination and replication process. Without such direction and incentives, local government reforms lose momentum.

“Top-down” decentralization and reforms tied to improved governance, which USAID supported in all four countries studied, is generally held to mean a change in governance initiated by, and imposed from, the central government. Typically this takes the form of creating the legal, financial, and administrative reforms in policy, law, and regulation necessary to institutionalize more effective and responsive local governments, usually (but not always) within the larger context of decentralization. USAID should accept that effective, meaningful reform coming from the top down is rare (although Romania may be a good example, where essential legal reforms were initiated from the top) and typically not sustained, and design interventions accordingly.

5.1.4 *Establish Local Needs and Priorities*

In all four countries, USAID and its partners engaged in some form of consultations with cities, but questions remain as to how well timed, rigorous and informed by overall sector experience these consultations were. Also, there is a lack of clarity as to the extent to which the results of the consultations actually shaped program design, as USAID and its partners appeared to have made many assumptions about what needs, priorities, and wants the cities had, without benefit of rigorous needs and priorities

assessment. Further investigations would be required to substantiate such a claim, but an alternative conclusion might be that USAID (and its local and international consultants), along with other donors, already have well developed and internationally tested notions and methodologies that are generally appropriate to generate effective and sustainable decentralization, and that these approaches tend to accentuate certain types of interventions while downplaying or avoiding others. Perhaps USAID did not present its approach and its international experience to the cities in such a way that they could understand this approach, and adjust their own requests for assistance to take cognizance of this body of international experience. The issue is complex; but clearly USAID should more accurately assess the needs of any given city, and translate such needs assessments into interventions that do the right things at the right time in the right order.

5.2 Lessons Learned ~ Generating a Positive Impact

5.2.1 Political will

Policies, and essential reforms to ineffective policies, laws, and regulations, are driven by political will. Policy change, however, does not only take place when national leadership feels like it. External parties, such as USAID, should find ways to exert their own considerable influence in achieving more favorable policy decisions.

5.2.2 Quantity ? Impact

USAID should exercise considerable care in evaluating how many local government units to involve in any intervention. Increasing the number of interventions to include a larger number of cities within any given country does not directly correlate to a larger aggregate national impact, because each intervention is too small to generate a significant spread effect. Also, increasing the number of activities or towns requires more inputs of time, resources and personnel, which in turn generate significant management burdens. USAID and its partners may be able to do a better job if they do not have to worry about organizing so many inputs.

For some interventions, time was also an issue. In more ambitious programs, USAID should allocate more time, so that it will be possible to generate a better (and more sustainable) spread effect. USAID should couple this, however, with better-developed dissemination components for USAID interventions. Even if the results in one place are excellent, it will be difficult to get this news out, get it known, have people learn about it in the right way, and then keep the lesson going for more than a single workshop, unless USAID focuses more carefully on dissemination.

What does generate positive, sustainable impact? The MSI team suggests focus, balance and realism in program design, complemented by a favorable policy and economic environment.

5.2.3 Incentives

While all of the local governments surveyed expressed their satisfaction, for various reasons, at being the beneficiary of technical assistance and training, there was commonly a sense that expectations were being raised to an unrealistic level, given the scarcity of resources available. While many local governments did find some modest ways to implement their training in more effective financial management, for example, others had no opportunities to manage any funds that were not already earmarked for specific purposes. USAID should improve training and make its impact more sustainable by linking training with realistic (if modest) prospects of applications available in which to use this training, or by facilitating access to other resources to bolster capabilities. Examples that USAID should consider in this context include the provision of computer hardware and software to support budgeting operations, co-financing for some new community infrastructure projects that exemplify participatory techniques, facilitation of public-private partnerships, etc. To this end, USAID should include a grant component (which might include a cost-

sharing or sweat-equity element) to all future local government strengthening interventions, to fund such applications, at least once. Putting training into practice, through sustained support to local governments rather than one-on training events, would assist in the institutionalization of new techniques.

5.2.4 *Policy Comes First*

Based on this four-country analysis, it is clear that for USAID to generate lasting, sustainable positive results from nearly any kind of local governance reform or decentralization program, the priorities are twofold. First, USAID should make progress towards fostering a comprehensive and integrated policy environment at both central and local government levels that is conducive to responsive, democratic, and participatory local governance. Such a policy environment should be based in well conceived laws and regulations, robust in content and scope, comprehensively structured to span the full range and process of decentralization over time, well understood by all role players and stakeholders, and grounded in the requisite political support and incentives. Second, USAID should begin local level interventions concurrently or soon after the policy initiatives, so that local energies can be harnessed to push the national reform agenda.

In an idealized best-case scenario, USAID should assist a country to start with policy issues and get these resolved, and then move on to gradually introduce local level activities at the micro level. Most countries, however, fall between this idealized scenario and the situation discussed above – countries unwilling to invest the necessary political will to make decentralization a reality. In such cases, a USAID Mission’s best option generally is to persist with a focus on policy matters and have that as a first priority, while offering many alternatives, and be ready (as was the case in Romania) to engage rapidly when the government is ready. In cases where governments fail to show a genuine willingness to support essential reforms leading to meaningful local governance (e.g. Slovakia during the ex-communists reign), USAID need not disengage entirely. USAID can be innovative, for example, by financing non-partisan dialogue that supports the principles of decentralization and good local governance, study tours, alternative associations, and intellectual debates, while concurrently engaging at the local level, targeting the new leaders, all the while seeking sympathetic ears in the old parties. What has been shown to be ineffective, however, is for USAID to offer programs that depend on legal and administrative reforms that have not yet happened.

Sustained, well-targeted attention to policy reform at the center, carried throughout any program’s life cycle (i.e. not just at the early stages), should be essential characteristics of USAID efforts to foster an enabling environment for good local governance. Sequencing of policy work by USAID also should be adapted to each country context.

5.3 Lessons Learned ~ Measuring and Dissemination of Results

5.3.1 *Measuring Results*

Donors commonly use service delivery indicators to gauge the effectiveness of decentralization and improved local governance, and to reflect improvements in basic public services. For this region, however, such indicators have not proved terribly useful because improvements in service delivery have remained largely elusive or relatively inconsequential. The more appropriate challenge is to identify intermediate measurable results that carry significance. Examples would include reforming LGU access to capital, or linking local participation to service delivery. To date, that challenge has not yet been met in a convincing way.

To establish overall effectiveness, USAID will need considerably more time and monitoring than just of the time period from the completion of most of the USAID interventions in the four countries surveyed until the present. With better intermediate and final indicators, and a shift in performance measurement to

emphasize longer-term results, it will be possible over time for USAID to translate the results of decentralization initiatives into measurable improvements in such services.

5.3.2 *Networking*

In Poland, Romania, and to a lesser extent in Ukraine and Albania, cities do engage in networking among themselves within a country. Sometimes this networking is channeled through associations, as in Romania in the case of CiC. In other cases, networking is more informal and ad hoc, for example through attendance at EU meetings, training seminars, and social events. The degree to which networking between and among cities within a country will transmit the impacts of an intervention was not possible to ascertain in the four study countries, however, but should be a focal point for future USAID interventions.

5.4 **Lessons Learned ~ Programmatic Pitfalls**

5.4.1 *Duration of Intervention*

In all four countries, there is a clear sense that the contract periods for the interventions by USAID partners (consulting firms and NGOs) in local government capacity strengthening and decentralization are too short. USAID should balance realistic expectations for program impact with the need for project accountability, as arguably has now been done with GRASP in Romania.

5.4.2 *Harmonization of Training with Decentralization*

In all cases investigated, there were significant failures to harmonize the training of technical and administrative skills with the progressive needs of decentralization. USAID should adopt a more coordinated approach to training, which takes a holistic view of the decentralization process from start to finish, and the changing needs as decentralization progresses. To achieve this, however, USAID should adopt a more rigorous method of sustained collaboration with local governments to jointly articulate changing and anticipated training needs.

5.4.3 *Incentives and Drivers*

USAID should ascertain, at the early stages of program design and planning, the most effective incentives to generate and sustain momentum for local government reform and decentralization, and USAID should then structure these components into the overall implementation strategy. The MSI team has found this to be an especially significant factor when potential new major sources of LGU financing (such as capital investment assistance from the international donor community) are on the horizon.

5.4.4 *Demonstration Projects*

Demonstration projects, to be effective, must result in a positive and discernable spread effect. Ideally, demonstration projects should be linked to changes in regulations or other external factors, to reinforce the rationale for change. Based on the experience in the four countries, the effectiveness of demonstration projects to disseminate knowledge and improve the quality of local governance remains open to question. In most cases the projects were not large enough to generate adequate attention, the cities were generally not well enough networked to routinely share such data, and the interventions lacked an effective dissemination strategy. Demonstration projects lacking effective and sustained dissemination components are not successful in achieving a positive nationwide impact. Clearly demonstration projects are necessary and desirable, but the challenge rests with dissemination. In short, follow-up is essential.

In certain instances, demonstration projects would be more accurately defined as test cases, to explore how well a municipal government can shoulder the burden of responsibilities delegated to it. Here too, there was inadequate data to establish whether such test cases influenced or otherwise fine-tuned

subsequent interventions, or generated a stronger base of political support to apply such interventions more broadly.

5.5 Lessons Learned ~ Role of Local Organizations

5.5.1 *Effectiveness of Associations*

In all four countries surveyed, USAID appeared to have a very high regard for the potential effectiveness of associations as an instrument of local governance reform. The basis for such an optimistic view of such institutions, based on their relatively weak capacity and unclear orientation towards being service providers helping local governments improve, remains open to some doubt. Some of the associations investigated were highly politicized, and lacked clear visions of their roles. USAID should first establish a better understanding of the capacities and resources that such associations possess or have access to before deciding which associations, if any, are likely to be a positive influence on achieving the programmatic objectives that USAID seeks. Experience from this study indicates that such associations do have significant limitations and many competing priorities, and that the reason they become USAID's partners is usually to gain needed financing. Seeking funding is both legitimate and expected, and arguably USAID has a political need to collaborate with these groups – but USAID's collaboration should be structured in an effective manner. It is recommended that such efforts be approached in harmony with the civil society programs in country, while staying strategically in tune with the overall approach to decentralization policy reform.

5.5.2 *Legitimacy of Associations*

Some of the local organizations that purported to represent the interests of local governments were not able to substantiate their claims to represent the interests of such constituents. In some cases, associations of mayors had no reach beyond the mayors themselves, nor any formal dialogue with any other layer of local government (elected or appointed officials). Some local government associations were unable to demonstrate any pattern of regular consultations with their constituents, and some were driven by highly political factors that took precedence over matters of technical competence, effective management, or efficient service delivery at the local government level.

5.6 Lessons Learned ~ Role of Implementer and Local Governments

5.6.1 *Local Consultations*

In all four countries surveyed, most of USAID's contractors engaged in only limited dialogue with local government officials to assess needs or discuss local priorities. Assessments of the constellation of needs for technical assistance and training therefore were often patchy. This situation is further exacerbated by the observation that in the early years of assistance, LGUs (especially smaller ones) were unlikely to be fully cognizant of their own development needs, and hence of what assistance they sought. USAID and its partners should carry out local needs analyses with the benefit of a robust iterative process involving the intended beneficiaries, and USAID should subsequently provide training and technical interventions to those local governments who choose to participate in such a collaborative process. These training products and technical interventions should represent USAID's best assessment of the critical needs of the local governments involved, responsive to a participatory process of needs and priorities assessment. Training should, however, be relevant to USAID's strategic objectives in that country, and to the extent practicable, should be tuned to the individual needs of specific local governments. USAID may also achieve better results by working with fewer local governments but involving them from the outset in the design of the interventions, to encourage a more demand-driven process that is more responsive to local needs and priorities.

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6.0 APPENDICES

- 6.1 Assessment Statement of Work
- 6.2 Master List of People Interviewed
- 6.3 Master List of USAID Country Projects Reviewed in this Assessment
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- 6.5 Combined Bibliography
- 6.6 Country Report – Albania
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6.1 Assessment Statement of Work

BACKGROUND

Over the past ten years, USAID has supported numerous local government activities in countries throughout the Europe and Eurasia region. From the early days of transition, USAID has realized that support for decentralization and improved local governance would provide key assistance to reformers interested in breaking down the centralized communist system and demonstrating that transition could work and serve the people better. More effective local governments can show citizens that transition can pay off.

The goals and objectives of specific activities have varied, and their nature and focus have changed as the countries have evolved. In the early 1990s, the approach to providing assistance was often somewhat piecemeal, responding to targets of opportunity rather than strategically addressing the key problems of local government management.

In the mid-1990s, however, USAID developed a strategic objective for local government activities, which required that all local government activities focus on “making local governments more effective, responsive, and accountable.” Since that strategic objective was developed, USAID has proceeded more tactically in the development and implementation of local government activities. USAID-supported local government activities have focused on increasing the management capacity of large numbers of local governments in each country.

Assistance has targeted five specific areas of local government management: strategic and financial management, local economic development, capital improvement planning and finance, municipal service delivery, and public relations and citizen participation (See Annex A for a full description of each approach). It was assumed that these approaches and techniques addressed the key concerns facing local governments in the region -- the need to improve service delivery, upgrade infrastructure, promote economic development, and increase public participation. In addition, if the approaches and techniques are designed in a way that effectively incorporated public participation, they will have contributed significantly to enhanced local governance.

USAID approaches to improved local government management seek to increase the participation of local communities in local government decision-making by developing models and approaches that require local governments to seek increased input from citizens, NGOs, and business organizations. USAID believes that well-managed local government must involve the public in efforts to develop strategic and financial plans, improve service delivery, and encourage economic development. Using this open and participatory approach should enhance the quality of life for citizens and contribute to the stability and well being of democracy in the transition countries, at least at the local level.

At the national level, programs have focused primarily on the development of laws and policies that support effective fiscal and administrative decentralization. Most programs have also focused on strengthening the lobbying and representational capacities of national associations of local government. This assessment will not examine these national-level activities.

TITLE

E&E Bureau Assessment of Local Governance
Programs in Albania, Poland, Romania and Ukraine.

PURPOSE

The purpose of this assessment is to determine the impact of local government activities sponsored by USAID's Bureau of Europe and Eurasia (E&E). The assessment will not necessarily examine how well various implementers carried out a given scope of work. USAID staff and counterparts will use the report to inform the design and implementation of future local government activities.

GOALS

- Determine the impact of USAID-sponsored local government activities on the management capacity of local government in four countries (Albania, Poland, Romania, and Ukraine);
- Examine the influence of the national political environment on the adoption of USAID-sponsored local government activities; and
- Determine the impact of the local government activities on the process of decentralization and enhanced local governance.

OBJECTIVES

- To assess the appropriateness, quality, and impact of local government technical assistance activities designed to improve management capacities of local governments;
- To Determine the extent to which these activities resulted in well-managed local governments that:
 - Manage their resources strategically;
 - Respond to needs of citizens through specific mechanisms (e.g., strategic and capital improvement planning processes) that involve citizens in identifying and prioritizing needs and investments;
 - Have access to information and technical know-how about best practice approaches and techniques;
 - Implement these best practices; and
 - Operate in a legal and regulatory environment that guarantees local government independence, limits restrictions, and allows for development of financial resources.
- To determine whether the approaches and techniques for improving local government management developed by USAID-funded local government activities were useful, desired, affordable and addressed key concerns¹² of local governments;
- To identify the difficulties encountered as governments implemented the new techniques;
- To identify the ways in which local governments used local organizations in the development and implementation of the new approaches;
- To assess the impact of the local government activities on the progress towards decentralization and local governance;
- To determine how USAID can improve the design and implementation of its local government activities to maximize the positive impact on the management capacity of local governments.

¹² For the purposes of this evaluation the approaches and techniques fall into the five areas defined in Annex A: strategic and financial management, local economic development, capital improvement planning and finance, municipal service delivery, and public relations and citizen participation. Key concerns are defined as the need to improve service delivery, upgrade infrastructure, promote economic development, and increase public participation. If the approaches and techniques are designed in a way that effectively incorporates public participation, they will contribute significantly to enhanced local governance.

STATEMENT OF THE WORK

PROBLEM STATEMENT

Over the last four years, USAID has implemented large and comprehensive local government support programs in Albania, Poland, Romania, and Ukraine. These programs provided assistance to improve local government management to a large number of local governments. The conditions in each of the four countries and the requirements of each Mission led to the use of different approaches and techniques. In most cases, USAID sought to improve the management of the largest number of local governments possible and to build the capacity of local organizations and individuals to deliver this assistance.

None of these programs has been systematically evaluated to determine which of the approaches used is the most effective, given the constraints of national governments, and the needs of local communities. Therefore, USAID is undertaking this assessment to: a) determine how USAID can best develop and implement programs that help create desired approaches and techniques for improved local government management; b) build indigenous capacity and demand for these approaches and techniques; and c) reach the largest number of local governments possible with these approaches and techniques.

METHODOLOGY

The assessment team shall examine the local government activities on four basic issues:

The quality and appropriateness of the approaches and techniques developed and delivered;
The role of local organizations in the development of approaches and techniques;
The demand for the techniques and approaches developed; and
The role played by the political environment on the development of approaches and techniques for local governments.

The assessment will examine the local government programs in four countries, using a standard set of research questions. The findings from the country case studies will be compared and the lessons learned about the most effective approaches will be drawn. The comparison will synthesize the results of the four country studies and draw conclusions on the impact of the local government activities in the main areas described below.

Listed below are relevant questions for six main areas that should be considered as these four basic issues are examined. In a sense, these are the kinds of questions the USAID activity managers should be asking as they develop and implement activities. The assessment team will use these questions as a guide to develop the final research questions. It will not be necessary to respond directly to each of these questions in the assessment report. Questions that shall be addressed in the assessment report are found in the lessons learned section below.

1. The Appropriateness, Quality, and Impact of the Technical Assistance Delivered

Assumption: If USAID activities develop and effectively market desired, useful, and affordable approaches and techniques for improving local government management, a large number of local governments across the country will use them to make themselves more effective, responsive, and accountable.

- Were the approaches and techniques developed by USAID activities to improve local government management desired, useful, and affordable?
- Did the approaches and techniques developed address key concerns for improving local government management?

- What changes to improve local government management have been brought about through the use of these approaches and techniques?
- Has the proper implementation and use of the approaches and techniques developed led to local government that is more effective and more responsive to the needs and desires of citizens?
- What means were used to monitor and evaluate the appropriateness, quality, and impact of the assistance delivered? Have USAID and the implementer developed an approach or a system to monitor and evaluate effectively the appropriateness, quality, and impact of the assistance delivered?

2. *The Role of Local Organizations*

Assumption: Local government activities should be developed collaboratively with local governments and local organizations if they are to be desired, useful, and affordable. This requires an active and open dialogue among USAID, the implementer, local government leaders, and local government organizations through which approaches and techniques will be developed. Doing so will not only allow the implementer to create more desired and appropriate assistance but it will also build the capacity of local organizations. USAID is capable of helping to create competent and sustainable organizations.

- How did USAID and the implementer identify approaches and techniques to address the key concerns of local governments? How did variations in approaches to address the key concerns impact the results obtained?
- Did local governments and local organizations (such as NGOs, consulting firms, and think tanks) play a useful role in the development and implementation of the USAID-supported local government activities? How did the use of local organizations improve the appropriateness and quality of the assistance delivered? What are the most effective ways for implementers to work with local organizations?
- Are local organizations providing assistance to local governments on a fee-for-service basis? If not, what are the obstacles? What can USAID do to ensure greater sustainability of these organizations in future programs?
- Have the local organizations providing assistance become more sustainable and available nationwide?

3. *Demand for Local Government Assistance – Can we help Strengthen the Market?*

Assumptions: In order to create increased demand by local governments for approaches and techniques developed, USAID must develop approaches and techniques that are useful and affordable and successfully marketed to local government leaders. If appropriate and desired approaches and techniques are created (supply side of a market), local governments will pay for assistance (demand side of market).

- What number of local governments used the approaches and techniques developed by the USAID activities? Were activities designed to encourage use by a large number of local governments? If not, why not?
- Has the program developed approaches and techniques that are useful, affordable, and cost effective? Did the local governments find the approaches and techniques developed by USAID-supported local government programs useful and affordable? How have the programs demonstrated that the use of these approaches and techniques is cost effective and enhances management capacity?
- How did or how can USAID encourage larger numbers of local governments to use the approaches and techniques developed by local government programs?
- What types of public relations or marketing work best?
- Are a growing number of local governments requesting assistance from the program? Are they using the assistance to improve the way they operate? What steps might the implementer take to

increase local government involvement and have national impact? Are local governments willing to use their own resources to procure services to improve their management? If not, why not?

- Is there evidence that a market is emerging for the kinds of technical assistance activities offered by the local government programs? How extensive is this market? What steps have been taken and/or what steps could be taken to encourage the further development of this market? How can the programs effectively market their products?

4. Political and Administrative Context

Assumptions: USAID activities working in a limited number of local governments with strong, progressive leadership can help create effective and desired approaches and techniques for improved local government management, regardless of the national political environment and the state of decentralization. Local government activities can have nationwide impact if a country has an encouraging national political environment and effective decentralization laws and policies in place. Local government assistance provided by USAID can have national impact by improving local governance and enhancing decentralization. Local government leaders and local government associations can influence national politics and policy on decentralization and local government management improvement.

- To what extent did the political environment aid or hinder successful program development and implementation? What other in-country circumstances might aid or hinder program development?
- What political factors support programs aimed at improving local government management?
- What political factors hinder programs aimed at improving local government management?
- What results did working with a limited number of local governments produce?
- What is the minimum number of local governments with which a program should work if it hopes to have significant impact on local governance and decentralization?
- At what point does the political context make it not worthwhile to implement a local government program?
- How does the status of decentralization and administrative reform affect the development and implementation of local government activities? How much “spread effect” can USAID expect under the circumstances in each country assessed?
- Can local government leaders and local government associations serve as effective advocates for more effective decentralization and improved local government management?

5. USAID Design and Management of these Activities

- Did USAID design and manage these activities in a manner that encouraged the implementer to develop desired, affordable technical assistance that would meet the priority needs of local governments?
- Did the design and implementation adequately incorporate local input? What steps could USAID take to encourage implementers to incorporate more effectively local input into the design and implementation of local government programs? For example, did the implementer use focus groups or other “studies” of local government need? Did the implementer use locals to develop prototypes that were refined and then marketed to a larger audience? Did the implementer rely on expatriate professionals or seek to identify and strengthen local professionals? Did USAID encourage the implementer to use local professionals?
- What steps could USAID take to encourage more effective use of local organizations and individuals for activity development and implementation?
- Should USAID assume that local governments would be willing to pay for appropriate, cost-effective technical assistance?

- Did USAID adequately assess to what extent the political context would support a local government program?
- Did USAID adequately assess to what extent the local government program could contribute to enhanced decentralization and improved local governance? Should USAID consider this issue? How can USAID best assess this issue?

Implementation experience would seem to suggest that local government activities should be developed in close collaboration with local governments and organizations if they are to be desired by and affordable to local governments. Developing and implementing an activity in close collaboration with local organizations should not only allow the implementer to create more desired, appropriate, and cost-effective assistance but also build the capacity of the local organizations to implement such activities. Therefore, the assessment should also examine the ways in which the various activities used local organizations in the development and implementation of these programs.

USAID assumes that the development of appropriate approaches and techniques requires a dialogue among USAID, the implementer, and local government counterparts, whether they be local government officials or other local government professionals. Based on their experience and access to “state of the art” approaches and techniques, USAID and the implementer should introduce approaches and techniques in a given country context, seeking advice from the locals on how they might best work in the given country. Local governments will often have other priorities or demand things that the activity cannot or should not provide, and they will not understand why or how certain approaches and techniques will help them out. USAID and the implementer share the responsibility to work closely with the locals to demonstrate why certain approaches and techniques are useful, how they could be used, and how they will benefit the local government. On the other hand, USAID and the implementer must “listen” to the local government counterparts to understand how such tools might best be adapted to work in the local context.

Another important aspect of convincing larger numbers of local governments to use approaches and techniques developed by the USAID-supported activities is to market them successfully to local government leaders and professionals. The assessment should examine the ways in which the approaches and techniques were marketed to local government leaders and professionals to determine what methods should be used to successfully market local government activities. Another key element in marketing is the cost of the approach or technique. The assessment should examine if efforts were made to develop approaches and techniques that could and would be purchased by local governments.

The Local Government Partnership Program (LGPP) in Poland made extensive use of local organizations and individuals for the development and provision of approaches and techniques for improved management to local governments. A number of cost-effective approaches and techniques were developed. The LGPP also used numerous public relations and marketing techniques to develop and market these approaches and techniques, including focus group studies on what local governments wanted and needed and how it might best be developed and introduced, inserts in local government journals describing how approaches and techniques would improve management, and television appearances by local government leaders extolling the virtues of these approaches and techniques. In its last year, the LGPP implemented a cost-share program in which local governments paid local organizations for a 25-50 percent of the cost of the assistance delivered. The LGPP (USAID) paid the remaining 50-75 percent. The goal was to develop a market for the provision of local government management approaches and techniques in which Polish organizations would provide assistance to local governments for a fee. If the approach was successful, once the USAID assistance was finished (it ended in March 2001), Polish organizations should be delivering assistance to local governments on a fee basis that covers their costs.

The assessment should determine to what extent the approaches discussed above were successful in Poland, and, if they were, how they might be applied to the development and implementation of local government activities in other countries in the Europe and Eurasia region. The same determinations should be made for the other three countries included in this assessment – Albania, Romania, and Ukraine. The assumptions behind the Poland LGPP and the other country programs and a set of questions intended to help examine the feasibility of these approaches are laid out in Task 2.

The team will assess the probability for sustained impact resulting from USAID-funded local government program activities. For the purpose of this assessment, sustainability is defined as the ability of the in-country institutions to produce useful information, products, and services that are sufficiently well valued by the client so that adequate resources are committed to ensure their continued delivery. This definition has a dynamic element in that maintaining sustainability is an ongoing process of transforming capacity into performance and inputs into valued results. It also implies that products and services are continuously available and improving after USAID assistance is terminated.

6. Lessons Learned

The team will describe how the successes and/or failures of the local government programs could contribute to the design and implementation of future USAID local government programs. The team will provide answers to the following general questions in light of questions posed in the five sections above:

How can USAID and its partners design and implement local government programs that provide desired, useful, and affordable approaches for improving local government management and reach large numbers of local governments? Has USAID focused on the right technical areas and implemented in ways that create local interest?

What are the most effective ways in which to involve local organizations in the development and implementation of local government activities to increase desirability and appropriateness of the assistance and the sustainability of the local organizations?

Should USAID activities task the implementer with creating and implementing approaches and techniques in a certain number of local governments or with developing approaches and techniques that will be demanded by local governments?

How can USAID-supported activities have the greatest impact on enhancing decentralization and improving local governance nationwide?

The team will describe the types of changes USAID could make in its management and implementation of future activities designed to help local government programs in the Europe and Eurasia region meet the goal of providing appropriate and affordable assistance to a large number of local governments. The changes recommended should be those that could be reasonably expected to have an effect on local government program implementation.

STATEMENT OF SPECIFIC TASKS

The assessment team leader will be responsible for the preparation and presentation of the assessment and all other deliverables. S/He will be responsible for the liaison with USAID/EE/DG/LGUD (Local Government and Urban Development Division) and Local Government Officers at USAID/Kiev, USAID/Sofia, and USAID/Bucharest. The USAID/Warsaw Mission has closed. Guidance for Poland will be provided by LGUD. S/He will manage and coordinate the work of all team members. The team leader will assign specific tasks to the team and will provide instruction on how tasks should be accomplished.

In addressing the goals and objectives summarized in Article I, the assessment team will perform the tasks outlined below. The team will answer the questions identified below, and the team's report will provide conclusions and recommendations based on these findings.

TASK 1: PREPARATORY WORK

Before undertaking fieldwork in Poland, Albania, Romania, and Ukraine, team members shall familiarize themselves with documentation about past and current USAID-funded local government activities in each country. The LGUD Division Chief will ensure that this documentation is available to the team within one week after the contract is signed. The literature includes:

- Scopes of Work, Work Plans, Strategies, and Assessments for the major local government activities in each country.

Albania

To be provided by the Mission after contract signed.

Poland

“USAID Assistance Program to Poland in Local Government and Housing Sector Reform – A History and Assessment From 1990-2000”

Local Government Partnership Program mid-term Evaluation – USAID Poland

Poland Local Government Partnership Program Final Report

Housing and Urban Development Assistance in Central and Eastern Europe – Final Report

“Role of Information in Gminas”

“How Municipalities Learn”

“Consultant-Based Institutionalization: A Case Study”

Need Reports from Ukraine, Albania, and Romania

Romania

USAID Review of Local Government Program (May 2001)

Democracy Assessment for Romania (September 2001)

Mission Strategic Plan 2002-2006 (September 2001)

Ukraine

Participatory Evaluation: Urban Public Transportation Improvement and Effective Local Government Programs in Ukraine

USAID assistance strategy for Ukraine (1999-2002)

Scope of Work for Training Resources Sustainability Assessment

Relevant USAID publications, especially Maximizing Program Impact and Sustainability: Lessons Learned in Europe and Eurasia (USAID, EE/DG/LGUD, October 1999)

Contract with CH2M HILL International Services, Inc., and its modifications

Cooperative Agreement with U.S.-Ukraine Foundation (USUF), and its modifications, as well as the Training, Sustainability and Strategic Plans for the Regional Training Centers

Cooperative Agreement with Research Triangle Institute (RTI), and its modifications

Relevant sections of quarterly reports submitted by CH2M HILL, USUF and RTI to USAID/Kyiv

Upon commencement of work under this Delivery Order, the assessment team leader will prepare a work plan in collaboration with the other team members that sets out the way in which this assessment will be completed. The work plan will contain an analytical framework for the assessment, the research

questions, the specific methods that will be used to gather data to answer each set of assessment questions, draft questionnaires and interview schedules, and a time frame for completing the work.

The work plan will be submitted to the LGUD Division Chief for comment within two weeks after the Delivery Order is signed. The Division Chief, E&E/PCS staff, and others as designated by the LGUD Division Chief, will provide comments within one week of having received the draft workplan. The assessment team shall finalize the workplan, incorporating the Division Chief's comments and submit it to the LGUD Division Chief for approval. Working with the Division Chief and the Local Government Officers in the Missions, the assessment team leader will set up a schedule for visiting each country. Once the general schedule is agreed upon, the assessment team leader shall contact the Local Government Officer in each country to set up a schedule for interviews and site visits with in-country counterparts and others involved with the local development and implementation of the local government programs.

TASK 2: FIELD WORK TO ASSESS LOCAL GOVERNMENT ACTIVITIES

The contractor will conduct field visits to four countries: Albania, Poland, Romania, and Ukraine. The team will spend two weeks in each country to gather data required to answer the research questions. The team will interview USAID and implementer staff, local government officials and professionals, local government support organization leaders, and others. A representative list of people may include the following:

- USAID and local government activity implementer staff
- Officials and professionals from local governments working with USAID
- Officials and professionals from local governments not working with USAID
- Representatives of local government support organizations (LGSOs) that have worked with USAID and those that have not worked with USAID
- Representatives from national associations of local governments
- Representatives from national associations of local government professionals
- Representatives from think-tanks that focus on local government
- Public opinion polling agencies that poll local government representatives
- Professors from universities or schools of public administration working on local government
- Members of central government ministries (e.g. Finance, Interior, Public Works) that work directly on local government affairs

The assessment team is expected to identify additional local governments, organizations, and individuals to interview based on its review of materials and its determination of where useful examples and information might be found.

TASK 3: BRIEFINGS

The team will be required to meet with LGUD and E&E/PCS (program office) for a full briefing at the start of the field assignments. The team will also be required to meet with the Local Government Officers in each USAID Mission at the start of the assignment in each country. The team should meet with the Local Government Officers at the end of the second week of fieldwork to discuss preliminary findings and conclusions. The team will also be required to give a final exit briefing to each USAID Mission and LGUD.

Relationships and Responsibilities

The team will report to the LGUD Division Chief and the Mission Local Government Officer, and will consult with program implementers in each country. LGUD will facilitate the arrangement of meetings with the Polish counterparts and organizations to the extent possible. Mission Local Government Officers will facilitate the arrangement of meetings with in-country counterparts and organizations. Following is the basic team composition.

1. U.S. Specialists (3) for all Four Countries

A Senior Democracy and Governance Analyst (assessment Team Leader) is responsible for overall report preparation and workplan preparation. S/he will be responsible for the liaison with LGUD and the Mission Local Government Officers, and will manage and coordinate the work of the other team members. S/he will work in all four countries, and will have recognized experience in local government management.

Two additional senior-level Democracy and Governance Analysts to support the team leader.

These experts will have experience in institutional development. The team leader will work in all four countries and the other team members (2) will work in two countries each.

2. Specialists for Each Country

Albania (two). The Albanian Local Democracy and Governance Analyst (team member) will work under the guidance of the team leader and be responsible for scheduling interviews and site visits inside Albania. This responsibility will require consultation with USAID/Sofia and Albanian counterparts. S/he will be the expert for local government management and will provide input for the preparation of the work plan no later than 10 days after this Delivery Order is signed.

The second Albanian Local Democracy and Governance Analyst (team member) will work under the guidance of the team leader. S/He will serve as the expert for local government support organizations and provide input for the preparation of the work plan no later than 10 days after the Delivery Order is signed.

Poland (two). The Polish Local Democracy and Governance Analyst (team member) will work under the guidance of the team leader and will be responsible for scheduling interviews and site visits inside Poland. This will require consultation with LGUD and Polish counterparts. S/he will be the expert for local government management and will provide input for the preparation of the work plan in that regard no later than 10 days after the contract is signed.

The second Polish Local Democracy and Governance Analyst (team member) would work under the guidance of the team leader. S/He will serve as the expert for local government support organizations will provide input for the preparation of the work plan in that regard no later than 10 days after the contract is signed.

Romania (two). The Romanian Local Democracy and Governance Analyst (team member) will work under the guidance of the team leader and will be responsible for scheduling interviews and site visits inside Romania. This will require consultation with USAID/Bucharest and Romanian counterparts. S/he will be the expert for local government management and will provide input for the preparation of the work plan in that regard no later than 10 days after the Delivery Order is signed.

The second Romanian Local Democracy and Governance Analyst (team member) will work under the guidance of the team leader. S/He will serve as the expert for local government support organizations and will provide input for the preparation of the work plan in that regard no later than 10 days after the Delivery Order is signed.

Ukraine (two). The Ukrainian Local Democracy and Governance Analyst (team member) will work under the guidance of the team leader and will be responsible for scheduling interviews and site visits inside Ukraine. This will require consultation with USAID/Kiev and Ukrainian counterparts. S/he will be the expert for local government management and will provide input for the preparation of the work plan in that regard no later than 10 days after the Delivery Order is signed.

The second Ukrainian Local Democracy and Governance Analyst (team member) will work under the guidance of the team leader. S/He will serve as the expert for local government support organizations and will provide input for the preparation of the work plan in that regard no later than 10 days after the Delivery Order is signed.

Deliverables

1. WORKPLAN/METHODOLOGY

The team leader will finalize a work schedule in collaboration with the other team members. The schedule for the interviews and the site visits in Albania, Poland, Romania, and Ukraine will be part of the work schedule. On the basis of document review and the initial meeting with LGUD, the team leader will develop a preliminary work plan that outlines the approach and methodology of the assessment. This work plan will be discussed with and approved by the LGUD Division Chief. The work plan will be submitted within two weeks of the effective date of the contract.

2. ASSESSMENT REPORT

The team shall prepare a report that contains a synthesis of the work in the four countries and individual sections for each country assessment. The report should also contain the following:

- A Table of Contents;
- An Executive Summary -- a 4-5 page, single-spaced document containing a clear, concise summary of the most critical elements of the report;
- The Assessment Report (no more than 40-50 pages), which discusses the major findings and the related issues and questions raised in the statement of Work. In discussing these findings, the assessment shall also address the following:
 - The economic, political, and social context of the local government programs;
 - Evidence/findings of the study concerning the assessment questions;
 - Succinctly stated conclusions drawn from the findings, i.e. the lessons learned; and
 - Recommendations based on the assessment's findings and conclusions.

Evaluation Report Appendices, including:

- A copy of the assessment scope of work;
- Team composition and study methods;
- The USAID Mission results frameworks for local government activities;
- A list of documents consulted, and of individuals and agencies contacted; and
- More detailed discussions of methodological or technical issues as appropriate.

- Individual Country Reports

A draft section of each country report will be submitted to the Local Government Officer at each Mission and the E&E/LGUD Division Chief prior to the assessment team leader's departure from each country. The USAID Missions and E&E/LGUD will provide the assessment team leader with comments within 2 weeks of the draft country report submission. The assessment team shall incorporate all comments and submit a final report to E&E/LGUD within 2 weeks of receipt of final comments. The LGUD Division Chief will be responsible for review and approval of the final report.

The assessment team leader shall be responsible for report production and will provide the final deliverables to LGUD on diskette as Microsoft Word document, plus forty printed and bound copies. The assessment team leader shall provide 3 copies to CDIE in accordance with standard AID/W requirements.

6.2 Results Frameworks

➤ *Albania*

Strategic Objective 2.1: Increased Involvement of Civil Society in Economic and Political Decision-Making

- I.R. 1: Citizen Participation in Public Discussions on Key Governance Issues Increased
- I.R. 1.1: Improved Community Democratic Processes
- I.R. 1.2: Increased Sustainability of NGOs
- I.R. 2: Increased Citizen Confidence in Accuracy of News and Information
- I.R. 2.1: Efficiently Managed Private Media Enterprises
- I.R. 3: Increased Independence of Local Administration from Central Government
- I.R. 3.1: Administrative Authorities Effectively Decentralized
- I.R. 3.2: Strengthened Capacity of Targeted Local Governments
- I.R. 4: Representative Government Institutions Strengthened
- I.R. 4.1: Political Parties Strengthened
- I.R. 4.2: Legislative Elections Processes Strengthened

➤ *Poland*¹³

Strategic Objective 2.3: Local Government is Effective, Responsive and Accountable

- I.R. 1: Improved Policy and Legal Framework Supports Local Government
- I.R. 2: Participation in Local Government Decision-Making Increased
- I.R. 2.1: Increased involvement by citizens, NGOs, and business in local civic process
- I.R. 2.2: Local governments create and expand mechanisms for citizens, NGOs and business input
- I.R. 3: Increased Capacity to Deliver Services and Manage Local Resources Efficiently
- I.R. 3.1: Increased technical and managerial capacity
- I.R. 3.2: Increased level of financial resources available for us
- I.R. 4: Support Systems for Local Government Functions Are Sustainable and More Effective
- I.R. 4.1: Providers of technical assistance, training, dissemination of best practice models, lobbying, research, organized community involvement and other support to local government are sustainable and available nationwide
- I.R. 4.2: Providers of services are more effective

➤ *Romania*¹⁴

Strategic Objective 2.3: Improved Democratic Governance at the Local Level

- I.R. 1: Adequately Funded Service-Oriented Local Government Units
- I.R. 2: Improved Interaction between Citizens and Local Public Institutions

¹³ Source: USAID/Poland, *FY2002 Results Review*, April 2000.

¹⁴ Source: USAID/Romania, *Country Strategic Plan, 2002-2006*, October 2001.

➤ *Ukraine*¹⁵

Strategic Objective 2.3: More Effective, Responsive and Accountable Local Government

- I.R. 1: Management of Municipal Services and Assets Improved
- I.R. 1.1: Strategic Planning Improved
- I.R. 1.2: Fiscal and Budgetary Management Improved
- I.R. 1.3: Municipal Procurement is Done Through Competitive Bidding
- I.R. 2: Local Government Autonomy Enhanced
- I.R. 2.1: Intergovernmental Finance System is Restructured (SO 1.2)
- I.R. 3: Better Informed Citizens Participate More Fully in Local Decision-Making
- I.R. 3.1: Citizens' Access to Decision-Making Are Ensured
- I.R. 3.2: Transparency of Government Operations Increased
- I.R. 4: Professional and Technical Support for Local Government Improved

¹⁵ Source: USAID/Ukraine performance data tables for FY 2001-2003 (provided to MSI by USAID/Ukraine).

6.3 Master List of People Interviewed

➤ Albania

Subject	Contact Person
Association of Albanian Municipalities	Fatos Hodaj Executive Director Tel: +355 4 257603; Fax: +355 4 257606 E-mail: aam@albmail.com www.aam-al.org
Co-PLAN	Arch. Besnik Aliaj Executive Director Tel: +355 4 257809/8; Fax: +355 4 257807 E-mail: co-plan@co-plan.org ; besnik_aliaj@co-plan.org http://www.co-plan.org
Co-PLAN	Dritan Shutina Deputy Director Tel: +355 4 257809/8; Fax: +355 4 257807 E-mail: co-plan@co-plan.org ; dritan_shutina@co-plan.org http://www.co-plan.org
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Support Office for the Movement of Social Initiatives (BORIS)	Zbigniew Wejcman Director Warsaw
Chemonics	Angus Olson Senior Manager, Europe and Eurasia Region Washington, D.C.
Chemonics	Dennis Taylor Former Chief of Party (Telephone Interview)
CityProf Ltd.	Adam Stachel Krakow
CityProf Ltd.	David Torf (Telephone Interview)
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Consultant	Rafal Stanek Former LGPP Staff Consultant Warsaw
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Idealna Gmina Foundation	Malgorzata Kramarz President Warsaw
Institute of Public Affairs	Dr. Jacek Kucharchzyk Director of Programs Warsaw
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Kropkow (City of)	Group interview including mayor, Deputy mayor, Treasurer, and Waste Water Manager
LEM Project	Piotr Szczesny Krakow
Lemtech	Zbigniew Jedrzejewski Ul. Spitalna 40 Krakow
Local Government Partnership Program (LGPP), Pilot Project	Thomas Spofford Former RTI Resident Advisor LGPP Pilot Project (Telephone Interview)
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Nowa Deba (City of)	Krzysztof Michalow Deputy Burgomeister
Nowa Deba (City of)	Wladyslaw Ordon Secretary
Nowy Sacz (City of)	Ms. L. Tabac Deputy Mayor
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Posnan (City of)	Miroslaw Kruszynski Deputy Mayor
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➤ Romania

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Association of Romanian Towns	Vasile Sivian Ciuperca Chairman, Association of Romanian Towns Member, Chamber of Deputies of Romania
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Constanta (City of)	Stelian Dutu Council Chairman (former President of the Association of City Councils) Constanta Judet
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Giurgiu (City of)	Rosu Petre Council Secretary
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Governance Reform and Sustainable Partnerships (GRASP) project	Earl Mathers Chief of Party
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Iasc (City of)	Constantin Simirad Mayor
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Local Development Group (GDL)	Daniel Serban Co-Director
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Ministry of Public Administration	Viorel Cristea Secretary General
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Pitesti (City of)	Mariana Boncea Economic Director
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➤ *Ukraine*

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6.4 Master List of USAID Country Projects Reviewed in this Assessment

➤ Albania

USAID Program	Time Frame
Public Administration Program in Albania	1995-2000
Decentralization Initiative	1998-2000
Local Government Assistance and Decentralization (LGAD)	2000-Sept. 2004
Resource Cities Program	
Other Interventions: World Learning Training program Infrastructure Program Corruption Reduction in Albania	2000 – 2004 Completed

➤ Poland

USAID Program	Time Frame
Local Environmental Management Project (LEM)	1992-1998
Municipal Advisory Program	1995-1997
Policy for the financing of municipal utilities	1996-1998
Democratic Governance and Public Administration project IMAC project	- 2000
USAID technical assistance to gminas	
Other Interventions: Foundation in Support of Local Democracy (FSLD)	
Local government Partnership Program (LGPP)	1998-2001

➤ Romania

USAID Program	Time Frame
Local Government Assistance Program (LGAP I)	1993-1996
Municipal Finance and Credit Program	1996-1999
Central and Eastern Europe Public Administration Assistance Project (CEEPAA)	1997-1999
Local Government Assistance Program (LGAP II)	1999-2002
Governance Reform and Sustainable Partnerships (GRASP)	2002 -
Institutional Reform and the Informal Sector (IRIS)	

➤ Ukraine

USAID Program	Time Frame
Municipal Finance and Management Project (Tariff Reform and Communal Services Enterprise Restructuring)	1994-1997
Effective Local Government Project and Public Transportation Improvement Project	1997-
Municipal Development Loan Fund Project	1998-1999
Dissemination of Regional Offices for the Association of Ukrainian Cities	1990-
Municipal Water Projects	1998-
Lviv Water Infrastructure Project	1998-1999
Municipal Water Roll-Out Project	1999-2003
Tariff Reform Project	2000-2003
Community Partnerships for Training and Education Program (CPP)	1997-

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ANNEX 6.6

ASSESSMENT OF LOCAL GOVERNANCE PROGRAMS IN ALBANIA

FINAL REPORT



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1.0 Introduction

1.1 Overview

This report conveys the results of the Albania component of USAID’s Bureau for Europe and Eurasia’s (USAID/EE) four-country assessment of local government programs. Other countries included in this assessment are Ukraine, Poland, and Romania. The core analytical product of the assessment, a cross-national synthesis, accompanies this report.

As stated in the Terms of Reference for this assignment:

“Over the past ten years, USAID has supported numerous local government activities in countries throughout the Europe and Eurasia Region. From the early days of transition, USAID has realized that support for decentralization and improved local government would provide key assistance to reformers interested in breaking down the centralized communist system and demonstrating that transition could work and serve the people. More effective local governments can show citizens that transition can pay off.”¹⁶

In carrying out the Albania assessment, the MSI team was particularly interested in the dynamic of local government reform and how the USAID-sponsored interventions have supported the reform process. As such, the team focused on several issues:

- How closely the thematic areas of assistance identified by USAID and its contractors aligned with the overall reform movement of the Government of Albania (GOA).
- The extent to which the method of providing assistance represented a sufficiently integrated package of inputs.
- The extent to which the process of supporting particular municipalities led to more widespread adaptation of reforms.
- The extent to which the work was integrated into Albanian institutions to effect longer-term sustainability of the reform effort.

The Albania country assessment was undertaken in October 2003. In addition to analysis of key program documents and reports, the MSI assessment team conducted semi-structured interviews with about 50 individuals from central government, NGOs, and 11 municipalities. The municipalities chosen represented a mix of sizes and had received various levels of USAID support. They also represent most regions of the country.

1.2 Structure of Report

Section 2 describes the overall methodological approach that the MSI assessment team employed in this assignment. The specific design of the analysis and assessment is discussed, and its relevance to this country’s local governance context, political and cultural environment, and to the character of the data that was available and accessible.

¹⁶ Statement of Work for RFP M/OP 2002-001594

Section 3 provides an overview both of the present character and recent history of local government in Albania and of USAID's urban programs. A particular emphasis has been placed on those programs carried out within the past five years, for which reliable data is more available.

Section 4 presents the MSI assessment team's key findings, starting with an articulation of the most important assumptions discerned by the team that were made by USAID when designing and implementing the interventions intended to encourage more effective, responsive, and transparent local governance. Each assumption is analyzed. The specific impacts of USAID's programs are then reviewed, followed by a discussion of the basic issues that pertain to the intervention – quality, appropriateness, degree of local participation, the level of demand for techniques developed, and the constraints or opportunities that arose from the political environment.

Finally, **Section 5** summarizes the conclusions, first by considering the three critical project goals (impact on local government management capacity, influence of the national political environment, and the impact on decentralization). Section 5 concludes with a summary of the important lessons learned, gleaned from the assessment of the recent history of local government interventions by USAID.

The report also contains several annexes, with a copy of the scope of this assessment assignment, details of program activities, data collection protocols, a list of all persons interviewed, and a bibliography of documents used in this assessment.

1.3 Acknowledgements

We wish, in particular, to acknowledge Eric Richardson of USAID, Perparim Dervishi and Bart Kennedy of the Urban Institute, Juliana Hoxha of Partners Albania, and Jennifer Butz of the National Democratic Institute for the time they spent with the team and for the insights they provided.

We also wish to express our gratitude to all our interview sources who graciously offered their time and thought in our discussions, and to Michael Keshishian of EE/LG for his kind and consistent support.

2.0 Assessment Methodology and Team Composition

2.1 Overall Approach

In accordance with the multi-country assessment's scope of work, MSI focused on four basic issues concerning USAID's local government assistance in Albania:

- The quality and appropriateness of the approaches and techniques that were developed and delivered for strengthening local government;
- The role of local organizations in the development of these approaches and techniques;
- The demand for the approaches and techniques that were developed through USAID assistance; and
- The influence of the political environment on the development of approaches and techniques for local governments.

2.2 Design

The design for this assessment is an ex-post, multi-site comparative case study. This design does not provide for a systemic comparison of the effects of program interventions for municipalities that participated in the USAID program and those that did not. Such an approach was not feasible because 1) no baseline information was gathered prior to the USAID program interventions, and 2) the multiplicity of donor support to the many municipalities makes it virtually impossible to disentangle the impact of USAID program support from the support provided from others. Instead some limited elements for comparison of municipalities actively engaged in the USAID program and those not engaged have been incorporated, where feasible and within the practical and budget constraints of the assessment. For example, the assessment team held interviews with program participants from towns that participated only modestly in USAID programs and those much more engaged over a period of time.

Constraints on the availability of resources prohibited extensive primary surveys. The in-depth interviews constituted the major source of primary data, allowing the team to reach a level of consensus and confidence after modest in-country exploration.

A total of 11 municipalities were visited for this assessment. As a relatively small country of just over three million people, this sample included most significant cities in the country that were recipients of USAID program interventions. The sample included municipalities from all parts of the country except for the southwest, which was excluded for logistical and time constraints. To the extent possible, the team strove to interview individuals in those municipalities knowledgeable about USAID's inputs, associated with the municipality for a number of years, and aware of the general thrust of the decentralization movement in the country.

Albania is late to the reform effort compared to other countries in the region. The path to reform had been sporadic and inconsistent due to various factors, notably the political and economic instability of the country. A more sustained reform effort began only in the late 1990's following the economic chaos of 1996/97. As a result the interventions funded by USAID and under consideration in this assessment coincided with a re-invigorated period of political and administrative reform. The interventions fall into four areas:

- Support for policy reform: This assistance was provided during the past three years under the Local Government Assistance and Decentralization Project (LGAD), implemented by the Urban Institute Program and consisting of education, analysis, drafting, and assessment associated with the Government's development of new laws and regulations pertaining to local governments.
- Capacity strengthening. This assistance included support to individuals of targeted municipalities in developing the skills and knowledge pertaining to newly approved or anticipated procedures: This was carried out by the Urban Institute but at times in collaboration or coordination with other donors.
- Institutional support to selected municipalities in carrying out the relevant reforms or new business practices, often on a pilot basis: This support was typically provided in coordination with associated training and networking among the pilot municipalities.
- Support on technical issues not necessarily associated with the reform, but consistent with the need for municipalities to be more responsive to citizen concerns: Examples include technical support in solid waste management and assistance to Tirana through a twinning arrangement with a U.S. local government.

All of these areas overlapped in certain instances. For example, implementation of specific reforms in pilot cities helped to inform the overall policy reform process at the national level. While the relative merits of each component of USAID's programs are discussed, this should not be read as suggesting that certain elements were fundamentally more useful than others. .

To best understand the impact of these interventions and to put them in the context of broader reform and assistance, interviews were also held with NGOs (particularly those supported by USAID), central government officials, and other donors.

2.3 Analysis

Data from review of documents and interviews were generally written up and shared among the assessment team. Each team member absorbed the information and reflected on it, bringing their experience to bear. In some cases possibly contradictory information was sorted out through further data collection. The full team concurred on the summary findings.

2.4 Reporting

Each country assessment is considered a piece of the larger synthesis. The synthesis is considered the core product of the assessment. Action recommendations are properly addressed to the organization requesting this assessment, EE/LG in USAID/Washington. Since the substantive focus of EE's assessment is on design and implementation lessons to be learned from systematic comparison across country program experiences, recommendations are considered premature until data are collected and analyzed from all the relevant country studies. Therefore this country assessment features presentation of background, findings, and conclusions, but no recommendations.

2.5 Team Composition

MSI's Albania assessment team consisted of Stephen Schwenke (team leader), Peter Feiden (Senior Democracy and Governance Analyst); Auron Pasha (Albanian Democracy and Governance Analyst), and Zana Vokopola (Albanian Democracy and Governance Analyst). It should be noted that Ms. Vokopola, through her company, URI, is a subcontractor to the Urban Institute, and that Mr. Pasha was a subcontractor to Development Alternatives in the predecessor public administration project that ended in 2000.

3.0 Program Background

3.1 Local Government Context

While local governments are not new in Albania, there is little modern history of local self-governance as an empowered and autonomous level of government with substantial decision-making authority. Rather the local government history is more one of an administrative level acting on behalf of the policy and administrative direction of the central government. Historically, the authority and standing that the municipality enjoyed among the local populace was essentially derived from its status as an agent of the central government.

Albania started establishing a truly autonomous local level of governance in the early 1990s. The first package of reforms defining the responsibilities and the authority of local government units had its shortcomings. In general the new structures encompassed limited authority and responsibilities. This led to reinterpretation and political interference, particularly in fiscal matters and management of revenues and expenditures.

The essential role of local government was reconfirmed in the new Constitution of 1998. That document defines local government as founded upon the principle of subsidiarity and decentralization of power, with that power exercised in accordance with the political principle of local autonomy.

A new phase in decentralization began with the formulation of the National Strategy for Decentralization and Local Autonomy in November 1999 (referred to as the decentralization strategy). This document defines the nation's long-term vision for local governance and the general scope and main objectives of decentralization, and describes the duties, necessary resources, and the role of key parties in the decentralization process. The National Strategy, which was formalized by the Government in 2000, was developed through a comprehensive participatory approach, with the involvement of central and local Government representatives, civil society, and donor agencies.

In the early stages of decentralization, creation of the legal framework was the top priority in the implementation plan of the Strategy. An important step after the approval of the Strategy was the adoption in 2000 of the new Law on the Organization and Functioning of Local Government (referred to as the Organic Law). The Law is an integrated and coherent act that sanctions the rights and authorities of local government units in conformity with the Albanian constitution and the European Charter for Local Self-Government. It contains a two-year implementation plan, calling for full transfer of essential functions and fiscal authorities by the end of 2002.

The Law on Territorial and Administrative Division of Local Governments, which defines the borders of each municipality, commune, district, and region, was also adopted in 2000. Laws on Immovable State Property and on Transfer of Immovable State Properties to Local Governments were adopted in February 2001, completing the first phase of the Decentralization Strategy. A later milestone in the decentralization process was the fiscal package adopted for 2003. This package represents a substantial increase in the autonomy of municipalities and communes in determining own-source local revenues and responsibilities, as well as decision-making authority for the allocation of these revenues based on local priorities and needs.

Decentralization has been a focus of the Albanian Government since 1998. Despite government changes during the past half-decade, reform has remained a priority for the country. While the pace of the first phase of the reform process – centered on the successful creation of the basic legal framework – was especially rapid, implementation of the Organic Law Action Plan and its prerequisites related to some of

the local government functions and shared national-local government functions has been at a much more moderate pace.

3.2 USAID Local Government Assistance

Up to 2000, USAID had divided the local government assistance efforts into two major components. USAID implemented a policy component as a series of task orders, and a local government capacity building component, known as Public Administration Program in Albania (PAP/A Program), was implemented as a separate project.

3.2.1 Public Administration Program in Albania

This program ran from 1995-2000 and was implemented by Development Alternatives Inc. with Mendez England & Associates as a subcontractor. The Program was focused on raising the capacities of local governments to manage their own affairs through assistance in the following areas:

- Budgeting techniques. Training was provided to local governments on budgeting. A manual was prepared with basic guidelines and standards in municipal financial management
- Capital improvement plans. DAI assisted around 20 municipalities in preparing capital improvement plans incorporating input from citizens in prioritizing the needs of the community.
- Economic development plans. Several municipalities were also assisted in producing economic development plans. These typically included community profiles and analyses of community attributes with respect to private investment.
- Municipal service. Several citizen information centers designed to facilitate citizen interaction with local government were established.

3.2.2 Decentralization Initiative

Urban Institute assisted the Albanian government during the 1998 – 2000 period in preparing the National Strategy for Decentralization in Albania. The new constitution (drafted with the support of USAID and passed in 1998) and the new Organic Law of Local Government, approved by Parliament in 2000, paved the way for decentralization in Albania. During this period the Urban Institute also worked on some infrastructure-related issues of local governments, especially pertaining to local public investments.

3.2.3 Local Government Assistance and Decentralization (LGAD)

Beginning in 2000 these two components (capacity building and policy) were integrated into one larger program commonly referred to as LGAD. The Urban Institute is the main contractor. With an extension, the program is now scheduled to end in September 2004.

The Urban Institute has been providing technical assistance to the decentralization process under the current program in two major areas: 1) technical assistance to the central government with respect to the policies, laws, regulations, and procedures that together enable effective decentralization and devolution of authority and resources to municipal governments, and 2) training programs for mayors, city council members, and municipal officials aimed at building technical, managerial, and financial skills in preparation for their roles and responsibilities under a decentralized governmental system.

Over 50 municipalities and communes have completed basic courses in two core areas – modern budgeting and determining the full cost of public services. For many of the municipalities at least some

follow-on technical assistance was provided. Over 3000 individuals have attended at least one workshop or roundtable discussion.

A number of manuals have been produced and distributed. These include materials on basic budgeting and calculating the costs and fees in solid waste collection and street cleaning. The more recent manuals address contracting for public services, low-cost technologies for solid waste disposal, and citizen participation. Accompanying courses have also been provided. About 25 individuals, most drawn from the municipalities, have received training for trainers to enable them to conduct these programs.

In the early stages of the LGAD Program (continuing on some efforts by the Urban Institute during the predecessor program), the Urban Institute was extensively involved in the decentralization dialogue with the national government. Working with the National Decentralization Committee and Task Force, the Program provided important assistance that culminated with the passage of the Law on Organization and Functioning of the Local Governments and the National Strategy for Decentralization.

Work at the national level has continued, if on a somewhat reduced level, through the Group of Experts on Decentralization, the successor to the Task Force. A key and ongoing focus of the national policy work is the establishment of a framework for local government finances through reform of the mechanisms of central government transfers to local governments and, through broader fiscal decentralization reform. Starting in 2001 the Urban Institute also has participated in the Medium-Term Expenditure Framework Process, which is the base document for preparing the state budget. Positive outcomes of this work included the shift from Ministry budgets to unconditional transfer for 2002 of funding for many local exclusive functions that had been the responsibilities of line ministries. Similarly, budget instructions now include requirements for local governments to present consolidated local budgets, including all sources of revenues and expenditures, in one table.

Two other areas of assistance are worth noting. First, a number of national policy workshops and roundtables have been carried out since 2001. Many of these events were structured to share the ongoing reform work at the national level with municipalities. Finally, the LGAD program has reached out to the Albanian Association of Municipalities as a partner in some of its work and thereby serves to strengthen the role of this entity in policy development and training.

3.2.4 Resource Cities Program

Based on a request from the Mayor of Tirana, USAID included the Tirana Municipality in the worldwide Resource Cities Program implemented by the International City/County Management Association (ICMA). A twinning relationship was set up between the Tirana Municipality and a U.S. local government (Catawba County in North Carolina). The Program is designed to transfer technical skills and information on current technology to the Tirana municipality. Four technical exchange visits, each involving several officials, have now been undertaken. The Program focuses on the following areas:

- Licensing procedures
- Tax collection
- Solid waste management
- Building codes

3.2.5 Other Interventions

A number of other initiatives that contribute to USAID's local government / decentralization objectives should be noted:

- *World Learning Training program.* World Learning International has cooperating with PAP/A and Urban Institute in offering training opportunities to municipal officials.
- *Political Party Building and Citizen Participation.* This project, which began in 2000 and runs to 2004, is implemented by National Democratic Institute. As part of its Political Party Leadership Program NDI has worked to establish citizen fora in smaller settlements to enable citizens to better formulate local development issues in collaboration with local governments.
- *Infrastructure Program.* This project, now completed, was implemented by the International Office on Migration of the United Nations and directly funded small and moderate-scale infrastructure projects identified by local governments.
- *Partners for Democratic Change - Partners Albania.* Partners Albania, a locally-registered NGO created by PWC, has translated and adapted several of the UN Habitat Local Government Elected Leadership Training modules, and is offering them to municipal officials.
- *Corruption Reduction in Albania.* The project provides technical assistance to the Albanian Coalition against Corruption, which monitors parliamentary and budget proceedings, sponsors monthly civic fora on corruption-related topics, and works with local governments to promote anti-corruption initiatives at the local level. It also works with local officials to adopt codes of ethics and streamline and make more transparent local licensing procedures.

3.3 Other Donors

Several other donors are active in the local government area. The World Bank and several bilateral aid programs provide funds for local infrastructure. The World Bank is also funding some upgrading work in Tirana, a program that will shortly extend to some other urban areas. Kreditanstalt für Wiederaufbau (KfW), a German development funding facility, has over the past decade been funding projects worth around \$300 million, in coordination with the Albanian Development Fund. (ADF is a mechanism created by the Albanian government to channel donor capital funding). Gesellschaft für Technische Zusammenarbeit (GTZ) has offered training and provided planning-related technical assistance to eight municipalities. This assistance incorporates funding for specific, modest public investments. Dutch aid has been working with several local governments as well as the Albanian Association of Municipalities. UNDP has also started a local government program. This effort is working with the two levels of local government (municipalities/communes and regions) on development plans in connection with UN Millennium Development Goals.

4.0 Key Findings

4.1 Design and Implementation Assumptions

This section attempts to clarify the ways in which aspects of program design may have positively or negatively affected measurable impacts.

The general objectives of all local government projects are to improve local government management, and thereby strengthen municipal services and the underlying support for local democratic institutions. However, political, institutional, and economic conditions materially influence what can be achieved and how to proceed on the reform path. In determining the outline of assistance efforts in the local government sector, USAID and its implementers start from a set of assumptions about the following basic project design elements:

- The most pressing issues that cities must address;
- The approaches and techniques that are useful, timely, workable, and affordable;
- The capacity of cities to absorb new techniques and methods into their business practices with limited assistance;
- The ability of cities to pay for consultant assistance or training when donors leave (sustainability);
- The demand for consultant assistance when it is not provided and paid for by donors;
- The potential for making an impact at the local level if the national political environment is not conducive to reform;
- The relative efficacy of concentrating assistance within a few cities, compared to spreading assistance more broadly, but with less intensity;
- The potential for a spread effect, leading to substantial regional or nationwide impact;
- The influence of external donors on reform of national policies; and
- Political and economic trends and their influence on local government.

Team members base actual assumptions underlying these considerations on inference from project documents, direct remarks from interviewees in open-ended interviews, and logical analysis. Further, the team has taken into account USAID's experience throughout the region during the past decade.

The section below presents a description of each assumption, accompanied by a brief analysis of the validity of the assumption in the case of the Albania program. The assumptions have been grouped into four main themes:

- Effectiveness of previous USAID assistance;
- Potential for making a nation-wide impact on local government management;
- Readiness of local governments to adopt new practices; and
- Technical capacity of local governments and local organizations.

4.1.1. Assumption Theme #1: Effectiveness of previous USAID assistance

- Assumption: *Previous local government projects had provided important baseline assistance in local government administration and had thereby effectively introduced Albanian officials to collaborative work processes with foreign donors.*

Analysis: The current portfolio of local government assistance is intended to build on previous interventions in the sector. These previous interventions included pilot technical assistance to selected

municipalities under the PAP/A project, analytical work in the housing sector, and support to Tirana in planning and property registration. The latter two areas do not appear as closely allied with current efforts of USAID in the country.

Going back five or more years, USAID has followed an approach of marrying policy and legislative reform in the central government with specific support to municipalities. The previous program worked with several cities to provide direct technical assistance in a variety of municipal and administrative areas. This technical assistance included support to develop capital improvement programs, performance measurement, and up-to-date budgeting systems. Beginning in 1999, these efforts assisted with the identification and prioritization of small public infrastructure projects.

The current program implemented by the Urban Institute is working broadly in a number of municipalities in Albania. The program started in 2001 and in short order was active in the selected municipalities. This is testament, in part, to the fact that municipalities had been introduced to the important role of international collaboration, as administrative systems are re-invented in line with a democratic governmental system and market economy.

Beginning in October 2000, USAID entered what might be called the current phase of its local government assistance program with the start of the LGAD Program. Evidence suggests that LGAD was able to start up relatively quickly in no small part due to the establishment of relations with key ministries and local governments. The Urban Institute was able to readily establish a collaborative approach to work with the Ministries of Finance and Local Government in the development of the overall policy framework and accompanying legislation to effect further devolution of authority and resources to the local level.

- Assumption: *Previous local government project activity in Albania and regional experience could point to specific technical areas of high priority to the municipalities.*

Analysis: This assumption entails several components. First, it is in general an article of faith to USAID (and to some extent with other donors) that the critical path to sustainable governmental decentralization requires an initial focus on several discrete areas. Perhaps first and foremost is reform of the financing and budgetary systems to enable municipalities to exercise demonstrable control over resources in the context of multi-year planning and prioritization of community needs. The second is that a range of tools is necessary to forge transparency in government and a service-oriented mentality at the municipal level. The third is that greater control over services generally considered to be local in nature (e.g. solid waste collection), accompanied by greater and more sustainable financing for these services and encouragement of technical reform/modernization, serves to reinforce popular support for local government. The fourth is that the need for greater local control over land use planning and development in the municipalities is an inescapable sentiment that local governments must begin to address.

The Albania program has encompassed all of these efforts. The work in the financial realm goes back five or more years, and a number of success have been seen along the way. At the macro scale this notably includes an increase in the percentage of financial transfers to the municipalities not fully earmarked from around five percent to perhaps a third. While further achievement in creating more financial independence and sustainability for the municipalities has been somewhat slowed, this does not seem to reflect any fundamental questioning of the underlying importance of fiscal decentralization. Rather it appears largely to reflect the complications, both political and administrative, in turning laws and regulations into workable procedures. As elsewhere one cannot discount the effects of elections (held in October 2003) nor the mass economic disruption of the late 1990s, and the distrust that it has engendered, fomenting caution and the need for financial controls as fiscal responsibilities shift.

In the area of transparency, one sees various innovations around the country. For example, in Tirana a “one-stop shop” of sorts has been put in place under a World Bank funded program and appears to be very popular. Other lesser examples are seen in other municipalities. It should be noted that most if not all of the more modern efforts have been the result of donor funding, so their long-term sustainability in terms of maintenance of equipment and commitment of human resources to run them has yet to be tested. On the other hand, more modest efforts that appear more homegrown (e.g. newsletters) suggest that the moves so far toward transparency and a service mentality do indeed reflect the interests of local leaders. It should also be noted that once these systems have been put in place and are seen as effective, popular support can be expected to keep them intact.

In the third area, “localization” of public services, the situation would appear to be more complex. First, there is no one ownership system endorsed by the West. Second, the technical issues associated with, for example, water supply, may imply far different approaches in different services (e.g. regional systems, equalization funds to compensate where source development or delivery costs are particularly high). What is less controversial is the overall notion that increased accountability is important at the citizen level. In the course of reforming the communist era structures from state-run corporations that largely defied local accountability, it has been a guiding principle that the local government should be the main repository of this local accountability. The commitment to this principle is not entirely clear despite the aggressive reforms initiated to transfer local services to municipalities. In particular it is unclear how the rhetoric of local control will play against the practical need to keep water affordable as devolution continues on its current slow pace.

USAID has appeared to downplay devolution of land use and development controls in the reform process. This is understandable and indeed the experience elsewhere in CEE is mixed at best. Some might say the underlying issues are largely intractable at present with the large pressure to build based on pent up demand for housing, the public demand for jobs, the surge in remittances, and traditional social structures, accompanied by a weak and potentially corruptible planning and enforcement capability.

- Assumption: *Previous LG projects had led to the development of basic understanding on the part of USAID officials of the local government context in Albania and the prospective path of reform.*

Analysis: The third part of this assumption theme is concerned with whether USAID’s current program in the local government arena indeed represents knowledge of the Albanian context. While certain characteristics about Albania and the implications of these characteristics for development can be inferred from its communist heritage, and these inferences can be enriched from donor knowledge of development of other formerly communist countries, here we are interested in those aspects of the governance system peculiar to Albania.

In several respects, USAID programs, in their design and implementation, have taken account of national characteristics. First, the selection of USAID pilot municipalities has been largely based on the commitment of the mayor to reform, security, and political stability of the municipality. A further criterion was potential for economic growth.

Development of a system for medium and long-term borrowing for municipalities is ordinarily on the short list of immediate concerns in reform local government systems. This principle has been included in setting the new policy environment for local governments. However, the subject has not generated further work by the Urban Institute in actually moving the municipalities toward borrowing. Some might criticize the lack of attention to access to longer-term capital markets for infrastructure finance as a weakness of the LGAD Program. Yet there appears to be a lack of immediate interest at the local and national level to address this issue in the near term. While some of this lack of interest is no doubt due to lack of familiarity with alternative systems, some of it would reflect the legacy of the financial schemes of

the 1990s and general distrust of the private finance sector. Leaving this area until the next generation of assistance projects seems to reflect an appreciation of the limitations imposed by current circumstances in Albania.

4.1.2. Assumption Theme #2: Readiness of local governments to adopt new practices

- Assumption: The national policy and administrative environment in Albania is sufficiently supportive so as not to significantly inhibit program efforts at the local level.

Analysis: Since the early 1990's USAID has worked with local governments throughout the CEE region. Noteworthy of the early efforts were local government technical support and training interventions negotiated solely with the local governments themselves. An obvious criticism of this approach is that the reforms and innovations at the local level are not sanctioned by or coordinated with national policy and administrative reforms associated with decentralization. In their defense, it was argued that immediate, if scattered and largely uncoordinated assistance, could more quickly energize the local government sector and strengthen popular support for decentralization.

Local government assistance in Albania started later and from the beginning appears to have been at least partially coordinated with associated efforts at the national level. The current Urban Institute Program more or less fully integrates local and national assistance. In general this is testament to the broad national-government level support that working with local governments enjoys in Albania. In some areas, such as demonstration pilot programs to decentralize responsibility for non-teacher education spending, the assistance is fundamental to the policy reform agenda of the Government.

- Assumption: LG managers understood the kinds of changes they would have to make and why they are important.

Analysis: This assumption goes to the point of whether local government managers were supportive of the agenda for reform generally articulated by the central government with support of the donor community. Albania has a "strong mayor" system of municipal government whereby the mayor serves as the chief administrative officer of the municipality. They are elected for three-year terms. Other key staff, such as finance directors, are often replaced following elections as there are no meaningful civil service protections. Few mayors now remain in office from the pre-2000 era. In this context it is not clear to what extent municipal managers "bought in" to the agenda.

It is clear that the donor community, including USAID, generally proceeded with a reform agenda that could be accepted at the local level. It is less clear that, in embracing this agenda, local managers really appreciated the difficult political decisions that the agenda might require. For example, while there appears to have been widespread support for devolving water systems to the local level, the political implications of perhaps having to raise water rates to sustain service might not have been appreciated. It is not clear that, given the political history of the country, managers would even have understood basic taxing principles that would underpin such a decision. This is not a criticism of the Program. On the contrary, the widespread provision of training was necessary to introduce basic principles even to those most ardently supportive of the reform agenda.

4.1.3 Assumption Theme #3: Capacity of local governments to adopt new practices and local organizations to provide assistance

- Assumption: Local government staff had sufficient technical skills and knowledge to understand new methods and processes presented to them.

Analysis: Throughout the CEE region it has generally been an article of faith that local government personnel have relatively strong fundamental skills but lack more specific skills and knowledge of public administration principles associated with decentralized democratic systems. This permits donors to focus their efforts on introducing key personnel to new business practices. Widespread training, including experiential training abroad in some instances, was provided. The recent slowdown that some local leaders complained about in the overall local government reform process does not seem to reflect any incapacity of officials to absorb methods and techniques in local government management.

- Assumption: Albanian local government institutions had sufficient organizational capacity to incorporate new methods and approaches into their business processes.

Analysis: This issue concerns the capacity of individual municipal organizations rather than the capacity of individuals working within municipal government structures. As has been found in other countries, despite the knowledge and skills of individuals, the organization may be a stubborn underachiever due to ingrained processes, work culture, system of rewards, and inherent expectations of the organization's employees. Here the evidence would suggest that certain shortcomings have impeded progress, as they have in other countries in the region. This is of course to be expected and is arguably part of the definition of underdevelopment in the region (i.e. a skilled populace whose potential is limited due to improper organization, incentives, etc.).

There is evidence that this factor is a serious drag on development among Albanian local governments. For example, the use of special units outside the bounds of regular business practices of the municipality to undertake special projects speaks to the difficulty in making a municipal system work. The German aid program goes so far as placing a special advisor in each of its municipalities to undertake its activities. Other evidence of organizational shortcomings are the lack of follow through on agreed to tasks and poor coordination between the offices of the executive mayors and the staff of the municipality.

In the case of Albania it is even less clear that some of the smaller municipalities have the organizational capability to absorb technical assistance. With only three million people in a relatively (for CEE) rural country, there are only a handful of municipalities with a population over 15,000. A number of donors are active in the local government sector (though some like the Swedish focus specifically on rural communes), further diluting the pool of potential USAID recipient municipalities. This makes organizational learning, which is fundamental to lasting reform, particularly tenuous.

- Assumption: Albanian experts and organizations understood the new methods and tools and were competent to take a lead role in implementation.

Analysis: This issue pertains to sustainability and specifically the role that local NGOs and professional consultants could play in project implementation. It is clear from a review of several projects that very competent Albanian staff have been hired, either as individuals or through local firms (typically organized as NGOs.). Many of the individuals had received some training overseas in market economies and as result could readily adapt reform principles to the Albanian context. It does appear that the overall pool of such individuals is quite limited in the short run, as a small number of firms seem overwhelmed and sought after by a plethora of donors. There are also gaps in the range of expertise appropriate to supporting local government, such as the scarcity of Albanians trained in physical or environmental planning.

In the longer term the prospect of these individuals and NGOs continuing to play an important role is unclear. At present the services they provide to the municipalities are funded by donor agencies. All municipalities queried reported that on their own they would not be able to avail themselves of local consultant services due to resource constraints.

- Assumption: The reform movement among local governments will benefit from a network of municipalities facing similar challenges, through which information and lessons learned can be exchanged.

Analysis: It is recognized around the world that local government reform can benefit from formal and informal networks to exchange information. This evaluation does not specifically evaluate the development of the Albanian Association of Municipalities (AAM), but it can nonetheless be inferred that networking organized by an organization such as AAM would be important, if not critical, to project success.

The Albania program has benefited from informal collaboration with AAM and other organizations, notably other donors, to strengthen networks for reform. AAM for example is sometimes a formal partner in USAID efforts. It is not clear however, that this or another organization has been able to contribute significantly to the exchange of information among municipalities. In its defense, AAM has very limited capacity, and may have its hands full participating in larger policy dialogue issues at the national level, and this role arguably is the most important in the immediate term. It has received only limited donor support itself. It is also relevant to note that both cost, the small size of many municipalities and hence their small budgets, and logistics work against the ability of municipalities to network absent donor financial support.

4.1.4 Assumption Theme #4: Potential for making a nationwide impact on local government management

- Assumption: Dissemination of new practices through conferences, training, and other materials would have a nation-wide impact on practices at the local level.

Analysis: This assumption looks at the spread effects of USAID assistance in the sector to municipalities not directly participating in the USAID program. With the small size of Albania, virtually all municipalities of any appreciable size have had some contact with the Urban Institute and the predecessor PAP/A program. It is of interest here the extent to which a municipality having had only modest interaction (e.g. attendance at a budgeting workshop) may have taken on new methods and approaches in local government management. In essence, are these new approaches and methods sufficiently adoptable, and are there sufficient incentives for their adoption, that this can occur absent more intensive technical assistance to a specific municipality?

The evidence is not yet clear on this point. For example the budgeting systems developed by the Urban Institute are being implemented on a trial basis with selected municipalities. There is no evidence that others are doing so. But at the same time, it is not clear that they should be since, 1) the methods are still not fully field-tested, and 2) GOA budgeting requirements seem to change yearly, creating ever more confusion at the municipal level, leaving less time for participation in parallel (and differing) budgeting practices supported through the LGAD Program.

- Assumption: Development of books and manuals would provide a legacy that local institutions and trainers would use to “sustain” assistance to local governments after the project terminated, and these tools would be useful to improve the capacity of institutions to deliver assistance.

Analysis: A sustainable training program would require 1) a cadre of trainers experienced in the particular subject area, 2) a system to replenish training materials, 3) a system to manage an on-going training program, 4) an approach to funding the training that is sustainable in the medium term, and 5)

leadership committed to continual monitoring and evaluation of training inputs and of evolving training needs. Clearly this system is not yet in place in Albania.

Some steps along the way should be noted however. First the Urban Institute has developed several manuals and supporting documents that can form the basis of a sustainable training program. For example, the budgeting manual is sufficiently flexible to accommodate the ongoing changes in formal budget submissions. Background materials on performance management and workbooks on water rates can have enduring value if effectively used.

It appears that no donor agency, nor the Government, has a specific strategy for the longer-term sustainability of a support structure for local governments. Clearly this is partly a funding issue. Few municipalities are likely to have significant resources in the medium term for training. Printing and updating materials will impose costs. A local organization will not likely invest itself in overseeing a quality program absent a multi-year expectation of training demand and continued networking with expertise from abroad in technical fields, training methodology, and evaluation of training inputs. Both the Government (which has voiced its intent to manage training), and the AAM (which is also interested in a more active role, and does not support the central government's intentions to take on this responsibility), would face significant hurdles without continuing support. There is scant evidence that simply having materials available can have a sufficient and enduring impact.

4.1.5 Summary of Assumptions

As noted, the MSI team derived these assumptions from documentary analysis and interviews, combined with logical comparison of formally stated assumptions and assumptions that could be inferred. A summary of the team's findings with respect to these assumptions follows:

- Albanian officials had been well introduced to collaborative processes in earlier USAID projects.
- The technical areas identified for assistance, based on Albanian and regional experience, are regarded by all parties as essentially the correct ones, although some gaps exist (e.g. physical planning, environment).
- As a result of past interventions, USAID had a sufficient understanding of local government issues in Albania to proceed with a new generation of effective projects.
- While the pace of actual reform has been somewhat sporadic, the underlying commitment to decentralization appears to be sufficient for project activities to be effective.
- Most local government managers were aware in a general way of the kinds of reforms that were necessary.
- Most local government officials had a base of skills and knowledge to benefit from the training and related technical assistance.
- Some municipalities have the organizational capacity to incorporate reforms but many lack the critical mass for self-sustaining reform.
- The pool of Albanian experts and organizations may not be sufficient to sustain the reform effort in the medium term as donor resources begin to contract.
- The government reform movement in Albania has drawn some strength from local associations, but these are weak and at present can play only a limited role in training.
- There is as yet no clear evidence that reform can happen based only on participation at conferences and training, use of manuals, etc.
- It is not clear that the materials developed can serve as a self-sustaining legacy unless donor support is provided for an ongoing training and outreach program.

4.2 Program Impact

4.2.1. Dimensions of Impact

Albania local government programs implicitly look to broad nationwide impacts of assistance. This is to be accomplished through two intersecting processes: 1) assistance at the national government level in writing new laws and administrative procedures, re-organizing the relationship between local and national governments, and recasting the political relationship between the center and the municipalities, and 2) providing specific training and technical assistance, on a substantially demand-driven basis, to municipalities. For the latter, the scale is nationwide in as much as the small size of the country permits virtually all municipalities to participate in the Urban Institute Program to at least some extent. Further, decentralization is broadly endorsed among all municipalities so none would appear to have a reason to choose not to participate for ideological or political reasons.

In relation to other programs in the region, the USAID local government program in Albania is a latecomer, and serious efforts in the sector go back only about five years. This is pertinent to consider for two reasons. First, USAID is not building from a decade of knowledge in the sector. But second, both Albanians and foreign consultants should be able to benefit from the experience elsewhere in the region. Indeed, it is arguable that the Albanian government – more than virtually any other country in the region – has strongly endorsed an aggressive program of local government reform driven by an overarching ideology and vision of decentralization. It is equally arguable that the vision does not arise in significant part from peculiar local conditions, analysis that would suggest the merits of more decentralized provision of services, nor country-specific limitations on organizational and human capacity.

4.2.2 Nationwide Policy Impact

As noted there have been significant changes at the policy level in support of local government autonomy in the past five years. The Albanian government started a process of reinvigorated decentralization in the late 1990's following the economic upheavals of 1997. It is clear that USAID has been the foremost partner to the Albanian government in this effort. Further, visits to a number of municipalities confirmed that these municipalities clearly see USAID, through the Urban Institute, as the central and critical external party in this process.

As one measure of the extent to which Albania has developed the legal framework for an effective local government structure, the country is reportedly in compliance with nearly all standards of the European Union Charter for Local Self-Government. The overarching legal framework for decentralization is substantially in place. A number of key legislative milestones were accomplished in the 2000-2001 period. The role of the LGAD in this effort has been substantial.

A central part of the policy work has been the establishment of a framework for local government finances. These reforms address fiscal transfers to local governments and the extent to which local governments can exercise their own decision-making in the use of its resources. On the revenue side it more clearly assigns revenue sources to different levels of government, and increases the power of local governments to exploit various revenue sources without direct oversight of the central government.

Recent accomplishments include the shifting from Ministry budgets to unconditional transfers for 2002 funding for those local functions that had been the purview of line ministries. As part of this reform, local governments now are required to prepare consolidated budgets showing all sources of revenues and expenditures in one table. The collaborative process leading up to this and associated reforms saw the Urban Institute providing background studies, helping to convene and facilitate dialogue on analytical

findings, assisting in drafting reform legislation, and assisting in sustaining the dialogue between municipalities and the central government as these reforms have evolved.

It should be noted that this policy reform process carried on at a more or less sustained level through the various changes in government, as well as through persistent changes in the ministers for Local Government and for Finance. This consistency has been a hallmark of the Program. Through meeting with personnel at 11 municipalities, the team did not detect any misgivings about the substantive direction of USAID-funded assistance or doubts about the appropriateness of this sustained assistance and its reliance on worldwide experience, including that from within the CEE region, to inform the process. This is of course in stark contrast to some donor efforts where overarching and comprehensive studies are welcomed but their recommendations do not tie into a sustained collaborative effort for implementation.

Virtually all work undertaken under the LGAD Program has been linked to policy reform. Indeed, a leading criterion in determining if and how to work with a specific municipality is the extent to which the work can tie into a policy agenda. In some instances, local work is undertaken specifically to determine how a new aspect of decentralization actually works on the ground. For example, Tirana is the pilot city for decentralization of education funding. In other instances, assistance is provided as follow-up to a training program for implementing key aspects of the evolving decentralization of government. In this instance it also provides a means for additional feedback as to the “fit” of the training with actual conditions on the ground.

4.2.3 Impact on Association Development

The Association of Albanian Municipalities (AAM) has been in existence since the mid 1990s. It has received limited support over the past few years from the Dutch Kompas Project. Early in the LGAD program, the Urban Institute considered the potential for working in close collaboration with AAM. At the time, the Association was seen more as an association of mayors than actual municipal government entities, a structure that generally results in a more politicized organization and one where, it was felt, the emergent of a broad-based coalition in support of continued government decentralization would be muted. For various reasons, direct support through the Urban Institute did not come about. Up to the time of this visit, the Urban Institute had not reached an agreement with the AAM on a structured, sustained program of assistance.

The LGAD Program has instead worked with the Association on an ad hoc basis on issues as they arise. Recent examples of this informal collaboration have included the following:

- Organized a stakeholders’ meeting to review the new Prefect Law. This led eventually to a hearing on the Law by the Local Government Commission in Parliament.
- Collaborated in organizing and conducting regional meetings on a draft Government policy paper concerning issues associated with the transfer of authority and responsibility water utilities to local governments.
- Continuing collaborative work with the AAM to organize and facilitate a dialogue between the AAM and other local government associations and the ministries of Finance and Local Government on budget issues, and in particular the definition of the transfer pool, the parameters of adjustment for equalization, and other pending formula questions and issues.
- Transfer to AAM of Urban Institute-generated materials and lessons learned from capacity building efforts undertaken to date.

The value of these discrete collaborations seems beyond question. Evidence in the region has clearly demonstrated the importance of municipal associations as an advocate for decentralization in the face of what is arguably a natural cycle in which a decade after the fall of communist era regimes a counter-tendency toward centralization re-emerges. Any effort to build the skills of a municipal organization as a less partisan body and more effective counterweight to any tendency toward centralization is helpful. At the same time a number of concerns should be noted with respect to the prospect of the AAM becoming a self-sustaining and important organization.

First, there is no longer-term strategy for making AAM a more self-sufficient operation. Like many organizations in the region it has grown dependent on some level of donor support. While this may be necessary for the medium term, the team did not detect that any serious steps have been taken in developing a corporate plan for the organization.

Second, like other organizations in the region, its initial focus is and should be solidifying through legislation, regulations, and precedents the structure for decentralization that reflects the official commitment of the Government. In this regard, AAM clearly has to strengthen its ability so that it can be less a reactive organization responding to legislative initiatives, and more a pro-active player. This is both an issue of resources and structure.

AAM would also like to strengthen its role in training. Yet it would appear to understate the challenge of becoming a truly effective training organization. To achieve sustainability of the Urban Institute and other products, AAM would have to make a long-term commitment to continually assess training needs and the effectiveness of training packages, replenish and update training materials, structure a funding system in line with the capacity of the municipalities to participate, and administer the program.

Finally, the Association needs to re-think the nature of collaboration. To date, the major external benefactor of AAM has been the Dutch government. It has developed ad hoc partnerships with other donors but these seem problematic at times for they drive the agenda of AAM while usurping staff. Eventually AAM needs to have a program of its own and reach out for collaboration to fill particular niche needs. Secondly it could benefit from continued collaboration with another local government association as a means to strengthen its overall organization and strategic planning.

4.2.4. Impact on Citizen Participation

It is difficult to gauge the impact of the USAID assistance on citizen participation. It should be noted that formal citizen participation in local government in the United States is very low if measured in terms of attendance at council meetings, budget hearings, and the like. One paradoxical answer for this is that with improved information and overall transparency, citizens see less need to spend their valuable time at laborious meetings where the scale of citizen involvement can actually be measured.

The LGAD Program has attempted to infuse citizen participation throughout its programs. The Urban Institute budget training includes citizen input and advice at three critical points in the budget development process. Follow-up on-site assistance is provided related to town meetings, budget hearings, and using advisory councils of local citizens to facilitate the identification of popular sentiment on budgetary choices.

An important hallmark of the USAID local government program is the apparent intersection of direct assistance in local government in formalizing participation and transparency and the effort of NGOs, notably the local NDI program, in setting up autonomous local citizen groups. These are potentially conflicting movements in transitional countries with evolving civil societies. Yet in Albania, the Urban

Institute and predecessor projects set a tone of collaborating with NDI and others adding legitimacy to participatory processes outside of municipal governments.

Much of the earlier LGAD agenda, which focused heavily on setting the stage for more extensive and effective control of financial resources, does not appear to have created any real opposition among the municipal citizenry. The other large portion of the program – municipal services – is fundamentally contentious because of financial implications associated with these traditional “fee-based” services (e.g. water, solid waste). To its credit, the Urban Institute includes as an essential aspect of its training on service cost and fee calculation conducting focus groups with a cross section of citizens. In its latter phase, the Program has also moved into training local officials in the use of surveys to identify issues with local services.

Incidental evidence clearly suggests that the methods and approaches being taught by various USAID interventions, including predecessor projects, have paid off. For example, the Kucove municipality looks to its citizen forum to deliberate and come to consensus on all development priorities and major decisions in advance of those being submitted for formal Council deliberation and action. The “one-stop-shop” in Tirana appears to be a sparkling success. Albania has a plethora of local media that seems to follow local government issues fairly closely, which in itself is evidence of a more open style, though not a direct product of USAID assistance.

4.2.5 Impact on Municipal Strengthening

To the citizen the fundamental mark of success of the past few years is whether municipal services are improved. This assessment did not have access to the kind of baseline and comparative time-series data that would suggest an answer to this question. Indeed, it may not be possible to answer the question of whether services are improving in any conclusive sense, and especially to attribute a causal relationship between service improvements and USAID inputs. Some municipalities do have limited survey data on residents’ priorities and judgments on the quality of services, which is no doubt helpful as these municipalities move ahead in the reform process.

Moving backward from the actual performance of municipalities in providing services one can look at the strength of the municipality as an organization deployed to provide essential services in response to established popular participation processes (elections as well as civil society generally). The LGAD project has taken the approach that the path to the kind of municipal strengthening that is sustainable over the longer term runs through establishing new fiscal relations with the central government, accompanied by more transparent budgeting procedures. The second element is bringing the performance of services generally regarded around the world as “local” in nature (e.g. water supply, solid waste management) into the fold of the municipal government. This approach stands on both Western and more recent CEE experience.

The LGAD Program established differing tiers of involvement in the program. The criteria, in order of importance, used to choose the municipalities for the most concentrated assistance included:¹⁷

- The quality of the leadership of the municipality and its (particularly as expressed by the Mayor) commitment to innovation and reform.
- The security and stability of the municipality, ranging from crime to political conflict.

After these are others of lesser importance:

¹⁷ See Municipal Selection Methodology of the Local Government Assistance and Decentralization Program, The Urban Institute, September 2001.

- The size of the municipality.
- Geographical location.
- Potential for economic growth.
- Retention of competent technical staff.

Several factors suggest that the project has been generally successful in strengthening municipal institutions.

The Urban Institute has five indicators concerning the extent to which municipalities are absorbing and applying the financial management aspects of the program. These include whether the municipality is making annual revenue projections, calculating full cost of individual services, increasing in fees to offset service costs, establishing a fee for service plan, and operating under some kind of multi-year, realistic, capital budget. Clearly, a number of municipalities are undertaking at least some of these functions.

Visits to 11 municipalities indicated that many are taking other initiatives that are consonant with a strengthening of the municipal government structure. For example, Elbasan carried out its own citizen survey two years after the initial one was done with direct support from the Urban Institute. Librazhd completed its inventory of public assets, preparatory to formally registering them for transfer to the municipality. It is noted in both cases, and confirmed in other instances, the importance of relatively more intense and long-lasting assistance to bring about this kind of local initiative. Elbasan began working with USAID more than five years ago under the PAP/A program, and received solid waste technical assistance in 1997/98.

A third suggestive point is that most municipalities visited complained of what is perceived as a recent slowdown in the reform process. While not indicative of a stronger municipal institution comments like this do suggest that local leaders continue to welcome a continuation of the decentralization process. This does suggest that the merits of decentralization have clearly been “sold” at the local level.

5.0 Conclusions

5.1 Program Focus

It is instructive to take a broader view of USAID's interventions in the local government sector over the past half-decade and consider whether the substantive areas chosen would appear in retrospect to have been the correct ones. It is the judgment of the team that the LGAD Program, setting as its first priority fiscal relationships and financial management, did focus on the subject matter most fundamental to the reform process. This judgment is based on a number of factors:

- The Government of Albania has shown a sufficient level of commitment to fiscal decentralization.
- Meetings with personnel of the Ministry of Finance and Ministry of Local Government confirm that the input of the Urban Institute was valued and welcomed.
- The importance of fiscal relationships and financial management to the overall reform process has been generally borne out by the results of similar technical support programs in other formerly communist countries.
- Work on financial management in the context of establishing governmental transparency can be synergistic with other donor programs, including those of USAID, designed to stimulate civic participation.
- Municipal leaders have generally welcomed the focus on fiscal issues.
- A network of reformers composed of local government officials (including those who became trainers) and NGOs has been able to coalesce around finance issues.

The number of laws and regulations changed or created over this period should stand as evidence of Government commitment. The impression gleaned from various interviews is that the LGAD Program did play an important, and perhaps critical, role in bringing various policy reforms to fruition. The extension of the Urban Institute contract will obviously allow for this professional collaboration to continue, now focused on the MTEF process.

The actual impact of fiscal reform in terms of the quality or quantity of municipal services is not possible to accurately gauge because of the lack of data. Sustaining the current momentum toward reform, through a critical mass of reformist officials, will be the key to solidifying gains and further success in this important area. Until there are significant concrete improvements in urban services that the typical resident can see, there will be no compelling reason for the Albanian citizen, just as there is no compelling reason in other countries, to support decentralization.

In the latter phase of the LGAD Program increasing attention is being paid to the transfer of water utilities and other public service entities to the municipalities. The Urban Institute has provided assistance in the financial and organizational aspects of water utilities. Particular attention has been paid to issues of financial sustainability, understanding cost of services, and fee-setting options. While only praise was heard of the quality of assistance packages offered, there are two central reasons why the ultimate course of this effort is uncertain.

First, the process of transferring a water utility to a municipality, as with transferring any other asset, is bureaucratic and laborious. Reportedly only a few municipalities have completed their inventories, which is only the first step in the transfer process. The long delays in bringing about transfer of these assets may be untenable given the capacity at the local level, the central government level, and perhaps within DPUK (the national water and sewerage corporation) itself. DPUK also continues to question whether

municipalities, generally, are up to the technical and administrative tasks of taking over and maintaining water systems. Adding these factors together, the process seems at risk of getting deeply bogged down.

Second, Albanians have historically paid water fees far below actual costs of service. In some municipalities, metering is not as widespread as would be expected. In the process of transferring ownership, some creative systems may be necessary to make service financially sustainable, while ensuring widespread access.

Both of these issues suggest the need for continuing support to the sector. In part the support will be needed to bring continued technical expertise. In other instances, donor support may be useful, and even necessary, to play the honest broker role as these important functions are sorted out.

Land use planning and development controls have not been a focus of the LGAD program. Admittedly this is a complicated area, difficult to delineate, and fraught with political peril. But as background it is important to state the obvious. Citizens in market economies generally expect local development issues to be managed locally. Albania, despite its overall fall in population during the past decade, has seen massive urbanization. This reflects pent up demand for urban living due to the extent of past artificial controls on internal migration. Further fueled by remittances and the scarcity of other legitimate investment avenues, the result is extensive and unplanned settlement on the urban periphery.

The main deficiencies of the legal and regulatory framework for planning and urban development control in Albania relate to the Urban Planning Law of 1998. First, this law suffers from excess rigidity, lack of precision, and the absence of provisions for area development, such as rules for subdivisions. Second, it lacks provisions for a system of permitted development that would reduce the need for positive decisions to be made in every case where a subdivision is to be carried out or a building improved. Third, the centralized system defined by the law is out of step with the Local Government Law of 2000 and the ongoing decentralization process in Albania. The two laws need to be harmonized so that the division of labor between different levels of government is consistent and clear.¹⁸

A related hurdle to resolve is the formulation, adoption, and implementation of a new law to compensate property owners whose lands and properties were nationalized by the communist era regime. Creating a national system of land use classification is also being driven by economic concerns, related to land valuation for taxation, but there is little understanding of the role of land use classification or zoning in planning and development control.

As development continues it will be ever more important for the municipalities to be seen as the focal point for managing and regulating development. Municipalities will also have to establish the techniques and methods for engaging the citizenry on development issues generally. This would entail a greater level of sophistication and participation than was the case with the documents, sometimes referred to as plans, developed by several municipalities that essentially list sought after public and private investments (see for instance the plans developed with GTZ support).

5.2 Program Sustainability

Clearly a large and impressive body of materials and training packages have been produced under the LGAD Program. Elements of this material have the potential to be long-lasting assets to Albania. The Urban Institute has taken steps to promote a legacy around these materials. For example, it has provided

¹⁸ See Strategic Plan for Tirana, prepared by PADCO under the World Bank Urban Land Management Project, 2002.

these materials to the AAM and worked collaboratively where possible, with a view of that organization becoming, at minimum, a repository, but perhaps also an advocate for their dissemination. Partnerships, generally of an informal nature, have been established with other organizations with the same objectives in mind. For the financial management training, municipal officials have been trained as trainers to build a network of training capacity familiar with the subject matter.

Despite these efforts no clear avenue to ensure the sustainability of the training programs has been established. No one organization is being groomed to continue the training programs or a subset of these programs, and indeed a rivalry seems to be taking shape between alternative solutions proposed for national coordination of local government training (Ministry of Local Government versus the AAM).

It is true that some training modules are specifically designed as initial training interventions and might be superseded by other training packages as the reform process moves forward. Yet for a number of years, there will be a substantial number of municipal officials ready to take advantage of the basic programs. Training demand increases markedly if the needs of the larger communes are considered, or when taking account of the turnover of both elected leaders and municipal staff. As the Urban Institute contract winds down this will obviously become a more pressing issue.

A second aspect of sustainability concerns the ability of municipalities, municipal associations, and perhaps elements of the central government to access peers from more developed countries or those more advanced in the reform process. A few informal peer relationships may have been established as a result of various study tours and the like. One “twinning” program is funded by USAID (Tirana and Catawba County, North Carolina). The AAM is part of a loose network of like associations in the region. But it is not clear that any of these relationships are sufficiently funded and designed to endure more than a year or two.

For a larger municipality like Tirana the results of the twinning have been impressive given the modest investment. Further, with Internet connections they have the prospect of enduring beyond the horizon of donor assistance. They can also fill an important gap in USAID programs that have not provided, except for modest interventions under LGAD, assistance with the physical aspects and technologies of municipal services. It is in the area of technology transfer that these relationships can often provide the greatest benefit, and a partner municipality can serve as a disinterested advisor concerning different designs and technologies.

The team was interested to discern the capability and willingness of municipalities to pay for the kind of training and technical support services provided under the LGAD Program. To date no cost sharing has been imposed except to the extent that municipal officials generally pay for their own travel and lodging. Without exception, the municipalities did not see themselves paying for like services in the near term. While USAID and other donor assistance has been effective in drawing very capable Albanian personnel into the local governance field, their ability to continue to provide these services is in the near term totally dependent on donor support. While this is a problem common to foreign aid, it is particularly pressing here given the limited capability of many municipalities to carry through on the broad reform agendas that by and large they want to be a part of.

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ANNEX 6.7

ASSESSMENT OF LOCAL GOVERNANCE PROGRAMS IN POLAND

FINAL REPORT



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1.0 INTRODUCTION

1.1 Context of Assessment

This report conveys the results of the Poland component of USAID's Bureau for Europe and Eurasia's (USAID/EE) four-country assessment of local government programs. Other countries included in the assessment are Ukraine, Romania and Albania. The core analytical product of the assessment, a cross-national synthesis, will be produced when data collection and analysis are completed for all four countries.

As stated in the Terms of Reference for this assignment:

“Over the past ten years, USAID has supported numerous local government activities in countries throughout the Europe and Eurasia region. From the early days of transition, USAID has realized that support for decentralization and improved local governance would provide key assistance to reformers interested in breaking down the centralized communist system and demonstrating that transition could work and serve the people. More effective local governments can show citizens that transition can pay off¹⁹.”

This assessment has been carried out to describe the impact of USAID's targeted programs, to determine whether the impact of these interventions has led to more effective local governments. Through an assessment of the impact of specific local government activities sponsored by USAID's Bureau for Europe and Eurasia, the MSI assessment team presents its findings.

The MSI assessment team has carried out this assessment in such a way as to be as responsive as possible to the stated goals of the assessment task order, to:

- Determine the impact of USAID-sponsored local government activities on the management capacity of local governments in the four countries;
- Examine the influence of the national political environment on the adoption of the USAID-sponsored local government activities; and to
- Determine the impact of the local government activities on the process of decentralization and enhanced local governance.

The Poland country assessment took place in February of 2003. In addition to analysis of key program documents, the MSI assessment team conducted semi-structured interviews with 50 individuals, including local officials and local government experts in eight cities. To supplement these interviews, 4 phone interviews were conducted with a sample of Polish local financial management consultants who were certified through USAID's program. This phone survey was complemented by personal interviews with officials of a sample of the cities that received financial management assistance from these consultants.

1.2 Structure of Report

Section 2, which follows, describes the overall methodological approach that the MSI assessment team employed in this assignment. The specific design of the analysis and assessment is discussed, and its

¹⁹ Extract from Statement of Work (SOW) from RFP M/OP 2002-001594: Assessment of Local Government Programs, Section II, Background - page 2

relevance to this country's local governance context, political and cultural environment, and to the character of the data that was available and accessible.

Section 3 provides an overview both of the present character and recent history of local government in Poland, and of USAID's urban programs. A particular emphasis has been placed on those programs carried out within the past five years, for which reliable data is more available.

Section 4 presents the MSI assessment team's key findings, starting with an articulation of the most important assumptions made by USAID when designing and implementing the interventions intended to encourage more effective, responsive, and transparent local governance. Each assumption is analyzed. The specific impacts of USAID's programs are then reviewed, followed by a discussion of the basic issues that pertain to the intervention – quality, appropriateness, degree of local participation, the level of demand for techniques developed, and the constraints or opportunities that arose from the political environment.

Finally, **Section 5** summarizes the conclusions, first by considering the three critical project goals (impact on local government management capacity, influence of the national political environment, and the impact on decentralization). Section 5 concludes with a summary of the important lessons learned, gleaned from the assessment of the recent history of local government interventions by USAID.

The report also contains several **Annexes**, with a copy of the scope of this assessment assignment, details of program activities, data collection protocols, a list of all persons interviewed, and a bibliography of documents used in this assessment.

1.3 Acknowledgements

We wish to express our gratitude to all our interview sources that graciously offered their time and thought in our discussions, in particular Jeff Hughes, Angus Olson, Scott Dobberstein, Dennis Taylor, Tony Levitas, and Thomas Potkanski. A special thanks goes to Michael Keshishian of EE/LG for his kind and consistent support.

2.0 Assessment Methodology and Team Composition

2.1 Overall approach

In accordance with the multi-country assessment's Scope of Work,²⁰ MSI focused its attention on four basic issues of local government assistance in Poland:

1. The quality and appropriateness of the approaches and techniques developed and delivered;
2. The role of local organizations in the development of approaches and techniques;
3. The demand for techniques and approaches developed; and
4. The role played by the political environment on the development of approaches and techniques for local governments.

2.2 Design

The design for this assessment is an ex-post, multi-site, comparative case study. Classically, to assess program impact, evaluators look for data collection and analysis arrangements that allow for *systematic comparison* of conditions with and without the program intervention. This may be carried out through various means, such as before-after comparisons or cross-sectional comparison of similar units within a target population that either (a) underwent program assistance or (b) did not. Since this assessment's approach, as specified in the Statement of Work, is essentially retrospective ("ex-post"), no opportunity was available to identify comparison groups as part of actual program design or implementation. Instead, elements for comparison of program "treatment" and non-"treatment" have been incorporated where feasible within the practical and budget constraints of the assessment. For example, the team held interviews with officials from local government units (LGUs) with heavy involvement with the USAID program as well as with those from LGUs that experienced little or no such involvement. Units of analysis include the LGPP project as described in Section 3 and Annex B below, as well as specific LGUs, central governments, implementing organizations, local partner organizations and individuals.

The assessment is "multi-site" because in each country it incorporates data collected from a carefully selected sample of LGUs, as well as central government officials, USAID local government advisors and managers, representatives of US-based and locally-based implementing organizations, subcontractors, nongovernmental organizations, academic institutions and think tanks.

Available resources (especially the ex-post character of the assessment and limited data collection time in the field) prohibited extensive primary surveys. Instead, reliability of findings was supported by a modified "bracketing" approach to sampling, in which the relatively "extreme" items in a relevant population are sampled along with items that would be expected to be more typical of the group at large. The in-depth interviews that constituted the major source of primary data allowed the team to reach a level of consensus and confidence, after considerable initial exploration in this country, about what sites would serve as good bracketed sample sites.²¹ Within the bracketing, criteria for sampling interviewees included:

- Program relevance: The team strived to collect data about interventions that involved major aspects of the program, readily associated with either the documented objectives of the program or simply with notable outcomes (positive or negative). Suggestions from knowledgeable

²⁰ See Annex A.

²¹ On the methodology of qualitative interviewing to gather perspectives and generate recommendations, see *Conducting Key Informant Interviews*, USAID/CDIE Performance Monitoring and Evaluation TIPS Number 2 (1996).

individuals, with various organizational affiliations, were essential for ensuring the relevance of data collection.

- Quality of available knowledge: We worked hard to ensure that the people we might interview at a site would be able to report to us based directly upon their own experience and awareness. This required rather detailed advance communications with prospective data collection sites.
- Representativeness: The team sought a balanced representation of key elements in the program, such as sub-sectoral components (e.g., local economic development, strategic and financial management, capital improvement planning and finance, municipal service delivery, and public relations/citizen participation). In addition, we selected sites to provide diversity that would accurately depict the diversity in program implementation and impact. We did this by seeking representative coverage of:
 - Geographical areas of intervention;
 - Sites noted by early interview sources as having been “successful” or “unsuccessful”;
 - Sites with varying levels or intensities of USAID program assistance (i.e., LGUs with high levels of assistance, low levels of assistance, and a few which, at least initially, were reported to have experienced no USAID local government assistance at all).
- Logistical practicality: Finally, MSI balanced the above criteria with the need to complete data collection in a manner that made best use of available data collection time and travel resources. These required, for example, detailed scheduling and coordination of in-country travel by the country team.

Clearly, the assessment team was not able to collect comprehensive data that would fully meet each of these criteria. The MSI country team consulted closely with USAID local government staff, local experts and others knowledgeable of the USAID program and the decentralization environment in order to arrive at data collection decisions that were cognizant of the design tradeoffs associated with them.

Finally, this assessment is “comparative” in two ways. First, within each country program it compares program assumptions, implementation approaches and observable impacts across assisted cities, across projects, and across central government policy environments. Each country report summarizes these comparisons in sections of text addressing (a) design and implementation assumptions and (b) program impacts. Second, in the forthcoming synthesis report the key findings and lessons learned are compared across country programs.

This approach carries with it some identifiable *limitations*:

1. With the ex-post structure to the design, causal attribution in this assessment, as in most such reviews, is not straightforward. The team took care to develop “before-after” and “with-without treatment” comparisons as we were able. In many instances, of course, viable comparisons of this kind are not possible on an ex-post basis. It is not possible, obviously, for the assessment team to “rewind history” in order to observe impacts in a reconstructed before-after comparison. Similarly, the passage of time since the program intervention allows for alternative factors, such as socioeconomic developments in municipalities and more recent technical assistance provided since the close of the USAID program, to distort causal analysis. The MSI team has dealt with such challenges by structuring its samples for data collection as described above, and by utilizing semi-structured interviews which allowed for adaptation to a respondent’s level of knowledge.
2. Reliability and balance in the resulting samples of interviews and documents used in the assessment call for careful review and assessment. MSI recognizes that there will likely always be at least one more interview that might add analytical weight or descriptive texture to an assessment. Data collection was conducted under resource limitations: Each country team was not large (three or four expatriate and local specialists, assisted by interpreters and logistical experts as needed) engaged in data collection for two to three weeks. In this case, we invite reviewers to peruse the Annexes to this report describing persons contacted and data collection

protocols, and to consider the extent to which MSI's resulting findings and conclusions may be misleading.

3. Quality control to support data collection and analysis in a relatively complex, qualitative study of this kind can be difficult. A more quantitative approach to the assessment (utilizing sample surveys, for example) was judged by MSI to be inappropriate and likely wasteful of USAID resources, given the retrospective assessment questions. In addition, the analytical subtleties of probing historical program experience to derive key linkages between program design and impact are not well suited to quantitative methods of data collection. In the end, the analyses produced by the MSI team are supported by (a) an assessment design geared closely to the key evaluative questions asked in the assessment statement of work; (b) a sample of interviews and analyzed documents that is driven by the assessment questions and made public in the final reports; and (c) a team approach to analysis and reporting, which counters the emergence of insufficiently grounded reporting in final products.

Two elements of the assessment's design, identified in the SOW and discussions with USAID/EE, also should be noted. First, at EE's suggestion MSI has generally not probed deeply into the impact of USAID work with associations of local governments or local government professionals. This topic is not considered a priority area of substance for the current assessment. In each country assessment, the roles of such associations are discussed, often because it would not be possible to present an accurate, coherent picture of the country program without doing so. At the same time, the assessment team generally has taken a "minimalist" approach to the roles of associations.

Second, for reasons of simple efficiency, MSI has taken into account the substance of recent relevant assessments or evaluations, and has made minor design adjustments as needed. For example, the mid-term assessment of LGPP in Poland (completed in 2000) extensively reviewed technical assistance to individual cities; while the current assessment also addresses this area, it has placed relatively less emphasis on it, given the analyses available from this relatively recent review. Similarly, because EE carried out a 2002 review of local government training programs in several countries of the region, this assessment recognizes training as major parts of the country programs but takes care not to be repetitive of the precursing effort.

2.3 Specific design considerations for Poland

MSI, in coordination with USAID, determined that as a general rule the evaluations should not attempt to go back further than 5 years in time. (See above). In Poland, this effectively restricted the evaluation to one program, the **Local Government Partnership Program** (LGPP), which was contracted in 1997 and effectively began early 1998. The only other local government project in implementation since 1999 was the **Increasing Credit Project** (IMAC). IMAC, however, had a very different mandate from LGPP. Most of IMAC efforts focused on national policy change regarding the regulation of the water sector, and the institutional support to the Polish Securities and Exchange Commission for the development of a municipal debt market. Local government management was not a direct concern, and therefore, MSI and USAID determined that this project would not be included in the evaluation.

Poland presented a particular challenge to the evaluation team for several reasons. USAID support to Poland terminated shortly before the end of LGPP. This meant that USAID and its programs were not fresh in the minds of interviewees. It also meant that there was no recent contact between US consultants or USAID with project cities or Polish organizations. Because there was no longer a USAID Mission, there was also no centralized depository of project documents in Poland, and USAID/Washington did not hold complete documents as the project came from the Mission. The contractor's project documents

were in archival storage. Copies of output documents such as books, manuals etc, had been given to five universities and one NGO, but these were not readily available to the evaluation team. Referral to former USAID staff or Polish consultants for information about the project often led to a dead end.

The team made its best attempt to find people who remembered or were involved in LGPP. This was not always possible, due to changes in city personnel since local elections, and the fluidity of the consultant market.

A further consideration in choice of interviewees was the recent LGPP mid-term evaluation (MSI, 2000), which focused heavily on project cities. Because of this prior focus, and the difficulty in finding knowledgeable respondents in project cities, the team determined that more time should be spent looking at other aspects of the project, those that in the team's estimation best informed the goals of the evaluation, and that provided follow-up to issues raised in the mid-term evaluation (such as cost-sharing and consultant sustainability).

After initial document review, logistical preparations and interviews with knowledgeable sources in the US, in-country data collection for the Poland country assessment took place during 2 weeks in February of 2003.

We included major project centers (such as Krakow and Posnan) in the city sample, and then used these centers as "data collection hubs" from which sub-teams would travel to collect data from smaller cities and organizations within a day or two of driving from the hub city. Interviews were conducted under the guidance of written, pre-tested and refined data collection protocols, and interview write-ups were constructed by using the protocols as a template for the internal interview reports. Seven different interview protocols were used (see Annex D).

2.4 Analysis

A "synthesis and dialogue" technique was used in analyzing collected data. Key documents and interview write-ups were shared among members of the assessment team, and team members were expected to read and absorb this material. For one and one-half days before the in-country component of the assessment was completed, the Team Leader and all three of the local government specialists met to systematically develop preliminary findings and conclusions. This was a rather intense, demanding session, since integration across experiences from many diverse settings was needed, and a consensus had to be developed on significant observations. In the end, a summary of these findings was developed, which served as a primary source for this report.

2.5 Reporting

Each country assessment is considered a piece of the larger synthesis. The synthesis is considered the core product of the assessment. Action recommendations are properly addressed to the organization requesting this assessment; in this case this organization is EE/LG in USAID/Washington. Based upon discussion with EE/LG, MSI has determined to refrain from formal program recommendations until the four-country synthesis report is delivered to EE/LG. Since the substantive focus of EE's assessment is on design and implementation lessons to be learned from systematic comparison across country program experiences, recommendations are thought to be premature until data are collected and analyzed from all

the relevant country studies. Therefore this country assessment features presentation of background, findings, and conclusions, but no recommendations.

2.6 Team Composition

MSI's Poland assessment team consisted of Jim Fremming (Team Leader); Bonnie Walter (Senior Democracy and Governance Analyst); Stacek Alwasiak (Polish Local Democracy and Governance Analyst); and Roman Dziekonski (Polish Local Democracy and Governance Analyst). Both Mr. Alwasiak and Mr. Dziekonski have extensive professional familiarity with local governance in the Polish context. The team was ably supported by Andrzej Nermer, interpreter. The MSI Home Office Technical Director was Stephen Schwenke.

3.0 Program Background

3.1. The economic, social and political context of local government in Poland

Since the demise of communist rule in 1989, Poland has undergone a swift transition to a market economy, developing new structures, and increasing integration into the political and economic structures of Europe. Over this period, decentralization of the monolithic state and the role of local government has been a major preoccupation; Poland has for much of the decade been in the process of finding the right balance between a centralized state and new decentralized structures. The period can be characterized as one of evolution from an administrative state, centrally run with local entities that carried out policies and programs determined at the center, to one in which developmental and economic decisions are taken and implemented at the local level.

By 1999, shortly after the beginning of the last USAID local government project (LGPP), sweeping administrative reforms had been initiated to establish *powiats* (counties) as well as *voivoidships* (provinces), thus providing a three-tier system of decentralized government accompanied by reorganized functions, responsibilities and fiscal flows. Authentic expansions of the responsibilities and authorities of local government accompanied these changes towards a more decentralized structure.

The shifts and realignments in authority and responsibility of local government were partly in reaction to the changes in the political leadership. There have been three distinct periods in post-transition Polish politics. First, there was Lech Walesa's government of 1990; second, the period from 1993 to 1997 when the post-communist United Left was in power; and third, after 1997 when the parties of the Right allied in a broad coalition to win back parliament. Two periods of reform stand out. First, 1990/1991, which saw the passage of the Local Government Act that set the general direction of reform, and gave municipal government limited powers of taxation and shares of revenue from central income taxes. The second major reform occurred in 1998 when a new intermediate level of government, the *powiat*, was created, accompanied by the Act on Revenues of Territorial Self Government that provided for a new division of financing through grants and tax sharing.

During the decade of USAID assistance, much work took place to establish the new relationship between the entities, and financing has been a very important issue. Since 1998, local government receives almost 70% of its budget through central state grants. Functions reserved for local governments include water and sewerage, solid waste disposal, streets and local roads, municipal housing, provision of primary education, physical planning and permits, some social services, central heating and gas, and local transportation. Local governments set their own tariffs and borrow and issue bonds to finance activities and capital improvements for local service provision. While one can still expect shifts in fiscal authority, money flows and responsibilities and improvement of certain laws to fit the new patterns and needs, the major parts of the reform agenda as it affects local government were in place by the late 1990's. This perception, as well, affected LGPP programmatic choices.

During this period the private sector played an increasingly important role in local government affairs. Privatization of many state-owned companies, restructuring of utility companies, introduction of public private partnerships, increased contracting for services with private sector firms, and expanding recourse to private capital markets – these new ways of doing business obliged local government officials to learn new ways of thinking and to adapt local government management to market principles.

The general consensus among knowledgeable Polish observers is that the local government reforms have been successful. At the same time, citizens' expectations have increased and tangible results and progress matter more and more, as the last local elections in 2001 demonstrated. As local government has acquired new roles and responsibilities, pressure clearly builds for better leadership and management, including the application of up-to-date technical and financial skills. Capacity at the local level to deal with new requirements and responsibilities has not kept pace with policy reforms from the center.

6.6 3.2. USAID local government assistance

USAID programs to assist local governance began in the early 1990s and were directly or indirectly involved with local government issues almost from the beginning, growing in importance up to the final LGPP project of 1998-2001. USAID provided assistance in many aspects of local government reform and strengthening, in addition to supporting the national government's revision of the legal and regulatory framework of intergovernmental relations and municipal credit.

Initial activities in the early part of the decade were grouped under the rubric of housing and urban development, and focused on support for changing the housing finance system and efforts to develop the financial capacity and solvency of local government (Municipal Advisory Program, 1995-97). This project provided training and technical assistance on capital investment planning, municipal creditworthiness and bond issuance amongst other topics. The objectives was to develop both the supply and demand side of credit for municipalities, providing assistance with the regulatory and legal framework for credit, while pilot projects established models for access to bank and bond finance. A strong policy focus took place against the background of a period of political reform.

Beginning in 1992, attention was paid to issues related to environmental infrastructure and infrastructure finance, through the Local Environmental Management Project (LEM, 1992-1998) which assisted 50 *gminas* (districts) in improvement of solid waste, wastewater and heating services, areas where drastic changes were needed in preparation for EU accession.

From 1996 to 1998, efforts were made to develop a policy for the financing of municipal utilities. At the same time, the Democratic Governance and Public Administration project concentrated on policy analysis and advice to central government on decentralization and intergovernmental finance. This continued, through the IMAC project, until 2000, focusing on water pricing, economic regulation, and service guidelines, and culminated in the passage of the Water Supply Law.

The change in government in 1997, however, signaled a change in receptivity to policy reform and less emphasis on working with central government.

Considerable grant support was provided to develop national associations of local government. In addition, the Municipal Development Agency (MDA), was established by the Government of Poland, USAID and other donors to provide services and technical assistance to *gminas*. USAID also played an instrumental role in the development of other organizations, such as the Foundation in Support of Local Democracy (FSLD) which has been an important partner offering training in local government projects. USAID also worked with Polish universities for the development and delivery of academic and in-service training.

USAID local government programs during the 1990's thus worked at both local and central government levels, providing hands-on assistance to municipalities to develop approaches to newly acquired responsibilities, and furthering efforts with the central government to support the effectiveness of a more decentralized system of governance.

3. 3 The Local Government Partnership Program (LGPP)

This evaluation focuses on the last three years of USAID assistance, from 1998-2001. By the late 1990s, USAID had decided to terminate its assistance to Poland (September 2001). The LGPP was to be the summation of ten years of experience, laying a basis for sustainable structures and organizations post-USAID presence. The design of the \$25 million LGPP project began in 1996, with a pilot project in 8 *gminas* to test methods and tools that USAID implementers had developed over the years. The design of LGPP appears to have been significantly affected by two important considerations. The first is the political shift of the GOP, and the desire of USAID to signal support to the reformers and for decentralization by focusing on local rather than central government. A second consideration is that USAID believed that many of the major issues of decentralization and transition had been settled, but that effective implementation was yet to be assured. These two factors led to a decision to concentrate the final “legacy” of USAID on consolidation of achievements at the sub-national level and explain why policy reform had no significant place in LGPP.²² Since this was to be its last local government effort in the country, USAID desired to assemble the best and most useful practices and tools that had been developed under other USAID programs in Poland, and to implement them as an integrated package in as many *gminas* as possible, in the short period of time remaining. Thus the imminent closure of the USAID Mission, together with the changed national politics, influenced LGPP (See Section 4 for more detail).

The vision of LGPP was to help make local governments more effective, responsible and accountable. To this end, the project objectives were to:

- Increase the capacity of *gminas* to deliver services and manage resources efficiently;
- Improve organizations that support local government;
- Increase participation of communities in local government decision- making through meaningful input from citizens, NGOs and business organizations.

The approach designed by USAID was as follows:

- Create partnerships with 48 *gminas* and *gmina* unions to design and test new management tools, and to test and implement “ best management” practices including those pre- selected by USAID to improve local government functioning. Those practices and products would be promoted and exported as examples of best practices to a significant number of other local governments during the life of the project.
- Implement a dissemination program that would make information on best practices from the LGPP and other programs widely available throughout the country, and strengthen or create mechanisms to help local governments share and use information;
- Strengthen Polish organizations including training organizations, NGOs, consulting firms, academic faculties and professional associations to work with local governments in the future;
- Provide information to policy makers and organizations lobbying for local government interests in Poland.

Details of the project are found in Annex B.

²² However, a number of policy issues remained on the table, and the IMAC project was a response to address issues outside of the LGPP brief.

4.0 Key Findings

4.1. Design and Implementation Assumptions

In this section we attempt to clarify the ways in which aspects of program design may have positively or negatively affected measurable impacts.

The general objectives of all local government projects are to improve local government management and, through decentralization, promote a stronger and more effective local government. However, political, institutional and economic conditions materially influence what results can be achieved, and preferred methods of achieving them. In determining “what to do and how to do it”, USAID and its implementers start from a set of assumptions about the following basic project design elements:

- The most pressing issues that cities must address;
- The approaches and techniques that are useful, timely, workable and affordable;
- The capacity of cities to absorb new techniques and methods with limited assistance;
- The ability of cities to pay for consultant assistance or training when donors leave (sustainability of efforts);
- The demand for consultant assistance when it is not provided and paid for by donors;
- The potential for making an impact at the local level if the national political environment is not conducive to reform;
- The relative efficacy of concentrating assistance within a few cities, compared to spreading assistance more thinly and broadly;
- The potential for a spread effect, leading to substantial impact;
- The influence of external donors on reform of national policies; and
- Political and economic trends and their influence on local government.

It is important to understand the design assumptions as a prelude to analyzing which methods of implementation and intervention were more successful than others.

In the case of the LGPP, project design was based on assumptions about the above-enumerated elements. Based on ten years of experience, assumptions were made about what management improvements were needed, what intervention methods were successful, and what types and levels of impact would be achievable in a three-year window left to USAID.

These assumptions are based on three different sources: inference from project documents, direct remarks from interviewees in open-ended interviews; and finally, logical analysis by team members. In some cases, the assumptions were clearly formulated, and unambiguously stated during interviews or in final and interim reports, while in other cases they can be inferred. In all cases, the team’s conclusions about project assumptions evolved after crosschecking information from one source against another, for example that of implementers with that of USAID.

It is not surprising that after working on local government issues in Poland for more than five years, USAID was confident that there were sufficient lessons learned from the successes and failures of previous assistance projects to provide valid input for the design of a successful new project. Key design assumptions may be found in four main substantive themes:

- Effectiveness of previous USAID assistance;
- Potential for making a nation-wide impact on local government management;
- Readiness of local governments to adopt new practices; and

- Technical capacity of local governments and local organizations.

The section below presents a description of these assumptions, each accompanied by a brief analysis of the strengths and weaknesses associated with the assumption.²³ Because there are many different assumptions, they have been grouped by theme.

4.1.1. Assumption Theme # 1: Effectiveness of previous USAID assistance

- Assumption: Previous LG projects had provided useful and effective intervention methods and management tools that had proven well adapted to Polish environment and needs.

Analysis: USAID and its implementers believed that previous USAID projects had produced methods and tools that were effective in meeting local government needs. The project design assumed that these methods and tools had been sufficiently developed and tested to adopt them for transfer and application nation-wide. There were two problems with this assumption. The first was that the implementers of previous projects tended to overestimate the successes achieved; the second was that only a few tools and methods had been adequately developed and tested. There were only a few “best practices” that could be held up as successful model applications in Polish cities, in particular the financial analysis tools. The implementing contractors had to spend considerable time in the first half of the project in identifying needs and developing other tools and methods to meet the need, field testing them and developing “best practices” that could serve as models beyond the test sites. In the case of housing and economic development strategies, there was not sufficient time in the project to widely use and test the new models. The very size of the project—the number of cities defined as a critical mass by USAID, and the large number of implementing staff – added further to the problem.

- Assumption: Tools and methods defined by USAID and their implementers as necessary and important were addressing the key concerns of municipalities (and therefore many would adopt the practices if given information and necessary resources).

Analysis: USAID believed that the tools and practices promoted in LGPP were necessary management practices for all well-run municipalities, American, Polish or other. Polish local governments have progressively adopted many of the practices, but they have done so as they have experienced the need for change, and were not ready for the changes that were recommended. Since LGPP was not a response to new legal requirements from government, initiatives had to come from the demands and needs of the cities. USAID, however, did not establish a demand-driven framework, since they had already made decisions about good city management principles and practices. In reality, a demand-driven approach was impossible with the size of the program, the short time span for implementation, and the expectations for results driven by the contract payment structure.

Several years after LGPP, cities have recognized the need for many of the practices and in many cases have taken the initiative by themselves, or have received assistance from other donors. USAID may well have planted the seeds via LGPP, but there is also the element of incentives; lending institutions now demand better financial management, citizens want better services, donors such as the EU insist on good management to qualify for EU funds. The demand for such assistance eventually materialized. But at the

²³ The following section draws heavily on interviews with the following persons: Thomas Potkanski, USAID Poland; Dennis Taylor, LGPP COP; RTI Poland, LEMTECH Poland, LEM Project Consulting, MISTIAA, Malapolska School of Public Administration; Christoph Potkanski, LGPP Staff; Chemonics In addition, the team has taken note of Chemonics’ Final Report; Chemonics work plans; LGPP Mid-Term report, and LEM II Final Report

time that the project was implemented, the supply did not always fit the demand in part because there was a weak incentive structure in place to support adoption of new methods.

- *Assumption:* Previous LG projects had demonstrated that cities could and would be interested in these new methodologies and practices.

Analysis: The LGPP Pilot Project began in 1996, and the LGPP RFP was written in 1997. When work commenced in 1998, there was far less local interest than expected in the management improvements that USAID believed most necessary and critical. This can be explained by several factors. The first is the process of city selection, which was as much political as technical, and involved the collaboration of national municipal associations and other Polish partners, who developed criteria for selection, and may have slanted city choices to reflect political factors rather than potential for success.²⁴ Other cities were not well informed about the nature of LGPP, expected that they would receive money, and were not interested in technical assistance. Additionally, a number of small cities were simply preoccupied by other pressing priorities, and did not at that time see the direct usefulness or necessity of initiating the types of management practices that might bring long-term benefits. Had a more careful needs assessment taken place at the commencement of LGPP, the assistance could have been tailored to fit authentic demand.²⁵

For these reasons, technical assistance to cities for USAID-defined priorities was far less successful than had been envisioned. Some cities did not participate, some activities were never completed, local partners did not take some of the TA seriously, and dissemination of best practices was not easy to accomplish. This was particularly true in the beginning of the project, and lessened as the project became more focused, especially on financial management tools, and as the corps of implementers improved in quality.²⁶ A further problem is that some of the methods and tools developed by implementing organizations (for LGPP and earlier projects) were not consistently well adapted to Polish realities of local governance, or did not provide obvious payback to the cities. This led participating cities to dismiss some of the assistance as of minor significance, or at times even to consider the assistance offered as useless.²⁷

The cities that enthusiastically used the information and assistance tended to be those with forward-looking leadership; larger cities that were farther along in development of institutional capacity; and cities that carefully picked and chose what they needed and wanted, rather than accepting everything wholesale.²⁸ We have observed that cities adopt change when there is an overwhelming reason to do so, and when their self-interest is clearly served. Some of the technical assistance and management practices

²⁴ USAID worked with the Polish organizations to develop criteria, which the selection committee then applied. Several different sources have corroborated the political nature of city choices.

²⁵ Based on our interviews with LGPP project leadership and other sources, these problems stemmed from a variety of sources, including the political emphases put on initial city choices, USAID's own imperfect understanding of city needs, as well as the implementer's own difficulty in carrying out on-the-ground needs assessments. The assessments were hampered by a lack of understanding of the Polish system and Polish realities, technical biases of the American experts, and problems in organizing the data. It should be noted that the Terms of Reference and project targets also constrained the implementer from deviating too far from the initial design decisions about assistance needs.

²⁶ These are generalizations, and as with all generalizations, do not hold in all cases. However, they reflect the sense of respondent's answers as to the success of LGPP in assisting cities to implement change during the life of the project. Respondents universally qualified their answers in one way or another to indicate that the results were not overwhelming.

²⁷ The Team was reminded by several sources that in fact, only 5 "tools" had been developed and tested at the start of LGPP. As a result, other tools were introduced based on US or other practices, or tools developed over time.

²⁸ The city of Nowa Demba, considered a success story, is a case in point. City leadership indicated that they only accepted assistance in what they thought they could absorb and apply, given staff capacity and time constraints.

were not perceived as key, and cities were not able to spend precious staff time and other resources following methodologies that at times seemed challenging and complex (especially to the small municipalities).²⁹ Perhaps one lesson learned in this instance is that the planning of technical assistance needs to closely weigh the absorptive capacity of small cities.

4.1.2. Assumption Theme # 2: Readiness of local governments to adopt new practices

- Assumption: *Structural and institutional reforms were sufficiently far advanced in Poland so that local governments had sufficient authority, responsibility and funds to implement management and service improvements.*

Analysis: USAID had closely monitored the evolution of reform in Poland and was well informed about the degree of decentralization achieved. The LGPP design was entirely coherent with the status of legal and regulatory reform. It was hoped that the project would assist cities to take advantage of legislative reforms and to improve their management and services. LGPP would be able to capitalize on new opportunities offered in recent laws, such as the obligation of cities to hold hearings, and to help cities respond to a new requirement for citizen participation, as well as to the improvement in the national economy that made municipal borrowing possible after 1998.

Shortly after the commencement of the LGPP project, a major administrative change was initiated, whereby the intermediate level of government, the *powiat*, was established. The original LGPP design did not envision assistance at the *powiat* level, but progressively *powiats* were included as a target group.³⁰

- Assumption: LG managers were aware of the need to improve management and understood the kinds of changes they would have to make and why they should do them.

Analysis: LGPP appears to have been prematurely timed for many Polish cities. Had LGPP taken place several years later than it did, there would have been a substantially more vigorous demand for the project's technical assistance, and a more favorable overall response to the practices and methods it offered cities. More cities have now adopted the tools and practices of LGPP, but they were not ready to do so in 1998 or in 2000, as the project results indicate.³¹ No systematic evaluation was possible, as part of this assessment, of the number of cities that now employ better management. However, the response through subsequent donor programs such as EBRD lending and comments from multiple respondents indicate that there is more fertile ground now than five years ago.

- Assumption: The process of privatization in the public sector was legally established and sufficiently advanced in practice so that the concept was well understood. Only the techniques and the benefits needed to be communicated

Analysis: Several of the management practices promoted by LGPP were designed to assist cities in making the transition to private participation in the public sector as a means of improving service delivery (for example, contracting out municipal services to private sector; restructuring of municipal services;

²⁹ Introduction of new budget and reporting methods that do not correspond to administrative requirements are a good example of this problem.

³⁰ This change in the work plan took place well after the commencement of the project and exemplifies assistance that was both timely and perceived as of high value by recipients.

³¹ This comment was repeated again and again by different informants. In the author's opinion, it does not reflect unfavorably on the program, but does serve to underscore the tendency to overestimate the speed of potential project outcomes.

project design for private infrastructure finance; housing strategies and management). The project anticipated the need for these tools, and helped some cities to implement public-private partnerships, contract out more services, or restructure municipal services. This was especially useful for medium-sized cities. Nevertheless, many cities were not yet in a position to undertake such measures, nor did they see the need to do so at that time.

During and after LGPP, there was a large increase in private bank lending to cities and utility companies for investment.³² In order to be adequately prepared for these opportunities, some cities have begun to systematically use outside expertise for investment project preparation, and for the financial analyses required for borrowing and other tools of analysis that are required. A number of large cities have been able to attract foreign private capital into municipal utility companies and public private partnerships. In the case of privatization of municipal companies, private consultant groups already provide larger and medium-sized cities with expert advice on restructuring and privatizations. LGPP assistance was well targeted to the growing need of cities to adopt better financial management practices and paralleled the expansion of municipal credit.

4.1.3. Assumption Theme # 3: Capacity of local governments to adopt new practices and local organizations to provide assistance

- Assumption: Local Governments had the capacity to generate and determine use of revenues, and this would provide the demand side of the market.

Analysis: This assumption was key to USAID's efforts to support "sustainability" of the reform process. LGPP was designed to train Polish consultants in LGPP methodologies and give them exposure and experience in project cities so that they would be capable of providing future consultant services to others of the 2,300 gminas in Poland. Local governments would in future pay for assistance in new management practices or services.

Local governments theoretically do have the resources to hire consultants, although these resources are quite limited; the issue is the intensity of demand, and for what kinds of assistance. MSI has observed that the effective demand derives from external requirements. Consultant assistance has primarily been sponsored and paid for by a donor project (such as the World Bank Rural Development Project), or when purchased by the gmina, stimulated by external requirements. Preparation of local development or capital investment documents to access EU funds, for example, typically provides an invigorated incentive setting for a city to seek out relevant TA.

Cities are strapped for cash, and they hire consultants out of their own funds mainly for specialized services such as project loan preparation, restructuring municipal companies, or particular financial tasks. Requests for other types of management assistance have been spotty. As a result, consultant firms and individual consultants who have survived in business do so by focusing on those areas in which there is specialized demand from municipalities (and only some consultants can meet this need), or donors. The demand by donors for qualified consultants cannot be ignored. It is questionable, based on our observation, whether LGPP-supported consultants would have survived had there not been large new donor projects to employ them, in addition to selling services to municipalities on financial issues. Local government has not generated a steady enough demand for consulting firms or individual consultants in some of the areas of concern to USAID.³³ Cities appear to have little interest in paying for outside

³² According to an informed source, municipal debt has increase by approximately 20% annually since 1995, with a large increase after 1997.

³³ There are some exceptions to this generalized observation. DGA Consult, for example, mainly worked for enterprises before LGPP, and now has municipal clients as well. Directly after LGPP ended, many of the LGPP-

services for housing strategies, citizen participation and communication, budgeting functions or task based budgeting. Recognizing this state of affairs, one representative of a Polish NGO suggested to the assessment team that USAID should have considered establishing sustainable sources of funding, possibly in the form of community foundations, to finance functions such as citizen participation.

- Assumption: *Local Government staff had sufficient technical sophistication, capacity and knowledge to quickly pick up new methods and processes once they learned about them. They already understood the “basics” of management and could build upon this foundation to readily acquire and apply new methods.*

Analysis: Based on the accomplishments of previous projects and in the Pilot LGPP, it was believed that municipalities would have the capacity to quickly pick up and use new management information when it was presented in a form that built upon known methods of information transmission.³⁴ The expectation that LGPP would have a nation-wide impact on practices of local government is based on this assumed readiness. It would appear that USAID somewhat overestimated this level of readiness among local governments. It was noted by interviewees that one reason for the modest extent of adoption of new practices by *gminas* (both among those that received some kind of assistance and those that did not) was that many *gminas* in Poland simply were not capable of implementing the methodologies with current staff and financial resources at their disposal.³⁵

LGPP implementers discovered that they needed to “go back to basics” with many municipalities, or to commit significant technical resources to working with *gminas* in order to see technical improvements implemented. Chemonics found that, after working with the original 46 *gminas*, they did not have remaining project resources to provide a sufficient level of assistance to a large number of *gminas* in the areas of assistance required. This may be attributed to multiple factors including poor performance by consultants, low level of preparedness by municipalities and methods ill adapted to local skills levels.

- Assumption: *Polish experts and organizations understood the new methods and tools and were competent to take a lead role in implementation.*

Analysis: It was expected that implementation of LGPP would be carried out to a significant degree by Polish experts and Polish organizations. The design anticipated that their Polish counterparts would replace expatriate advisors after 18 months. The design also assumed that Polish organizations such as the FSLD, the Municipal Development Agency, and the consultant group LEMTECH were sufficiently well developed to participate in the implementation of LGPP and to provide continued relevant assistance to local governments following project closure.

One unanticipated problem was that as part of the process of designing LGPP, USAID had established an advisory board composed of organizations with the longest experience in local government. When implementation began, these very organizations that were best equipped to implement LGPP were barred

supported consultants left Poland, or worked for foreign clients. With the commencement of the World Bank Rural Development Project, former LGPP consultants and organizations currently work with *gminas* under this project.

³⁴ USAID commissioned a study (titled “ How Municipalities Learn”) that said municipalities learn best from the example of other municipalities and their peer colleagues. A second study (“ Stick to the Law “) was undertaken by LGPP that posited that municipalities were not in a position to build upon a management foundation to acquire new skills.

³⁵ While the pattern observed by MSI is one of insufficient capacity to meet opportunities for innovation, exceptions are also present. For example, a group of about 40 Members of the Polish Parliament were allying with LGU associations in 2003 to influence the ongoing debate on educational finance. One interviewee noted that as part of this campaign the group was making extensive use of LGPP training and reference materials in change management, zoning, financial management and citizen participation.

from participation because of conflict of interest. These organizations expected, rightly or wrongly, that they would play a major role in LGPP; instead they played relatively minor roles later in the project. Other organizations with less local government experience or technical credentials were recruited to fill the gaps in TA. While the technical preparedness of local Polish partners improved over the life of the project, the depth and breadth of technical capacity was not always adequate to meet local government needs as they became more clearly known.

The development of a corps of experts and well-established organizations was intended to provide a legacy of resources for local governments after USAID terminated in country. Some organizations (those that were the best established to begin with and had “hard skills” to market) have done well. Other donor projects have profited from this expertise, in some instances increasing the spread effect of USAID interventions, in other cases promoting new and different practices.

This has not come without some cost, however, in at least two ways. First, it is clear that a substantial number of Polish individuals and firms associated with LGPP-provided technical assistance underwent a very thin market for their services for a few years, between LGPP termination and approximately 2002 as EU and other donor activity with local governments gathered steam. While one might claim that there may have been a somewhat healthy “winnowing” among potential providers of technical assistance during this slow period, it clearly means that a number of individuals and firms associated with USAID’s final local governance program in Poland found themselves struggling to stay in the field. While we have collected no systematic information on this point, it appears likely to the assessment team that some portion of the benefits of USAID’s investment in building up technical capacity among LG consultants was, due to the stresses of this transition period, lost or dissipated.

Secondly, we have observed a less tangible but nonetheless real cost to local governance assistance in Poland from another aspect of the engagement of Polish consultants in LGPP technical assistance. On more than one interview occasion, sources in Polish cities noted that one of their first challenges in their experience with LGPP was the low level of local knowledge and sensitivity to local settings – as displayed by the Polish consultants on the LGPP team. Because we are painfully familiar with this problem of inadequate “listening” among expatriate consultants, we took care in our interviews to confirm that the complaint in fact referred to technical assistance delivered by local nationals. Regardless of the nationality of the consultant, the complaints (not universal but at the same time not unusual in our interviews) represent a weakness in technical direction and oversight, particularly in approximately the first 18 months of LGPP implementation. Further, these unsatisfactory experiences by cities with Polish consultants may have a longer-term effect of discouraging the cities from looking locally for assistance in the future.

4.1.4. Assumption Theme 4: Potential for spread effect and a nation-wide impact on local government management

- Assumption: *Dissemination of new practices through conferences, training, and other materials would lead to a spread-effect, and consequently LGPP would have a nation-wide impact on practices at local level.*

Analysis: During project implementation dissemination efforts reached a large number of cities.³⁶ LGPP made itself known all over Poland to local governments and national players. According to our interview sources, however, it is not clear that many cities beyond those receiving direct assistance did actually adopt new practices. The effectiveness of the dissemination has not been established. Implementers relate

³⁶ Radio programs, TV spots, newspaper and magazine articles nation-wide supplemented the seminars and conferences aimed at informing cities about best practices.

that they quickly discovered that they did not effect change by telling city *x* what city *y* has done. This suggests that a major dissemination effort may not be effective unless objectives of the dissemination are made clear to all involved, the timing is right, and a clear incentive structure for adoption is present. Many Polish cities subsequently adopted particular management or governance practices, but in their own time, when they were ready and interested.

On the other hand, it is clear to the assessment team that LGPP had some indirect impact on management innovation in Polish cities, due in part to the project's very size and breadth. Because there were so many activities over such a short time, so much publicity, and so many resources put into assistance to local governments, the project was well known. Respondents frequently stated that while LGPP may not have directly led to improvement in local management, it did influence ways of thinking among political leaders, local management, and technical specialists. Many of our interviewees cited a kind of opening of awareness to new technical or managerial possibilities. While MSI did not attempt to directly measure the extensiveness or impact of this "attitudinal" effect, it clearly is present in Poland.

- Assumption: *Development of books and manuals would provide a legacy that local institutions and trainers could use to "sustain" assistance to local governments after the project terminated, and these tools would be useful to improve the capacity of institutions to deliver assistance.*

Analysis: LGPP commissioned a number of 'how-to' manuals and a book series on various technical topics. Intended users of these products have noted to the assessment team that the quality of these products varied widely, but some were very good. These products were provided to all participating local governments, and all collaborating institutions and organizations, and offered for sale more broadly by the main technical publishing house. Although the publishers no longer find a paying market, the books and manuals are still in use by consultants and organizations, and have been adapted for further use in Poland and in other countries in the region (via World Bank, for example). However, our interviews with local government associations and other relevant sources lead us to conclude that similar dissemination efforts have not been notably continued, much less expanded, since termination of LGPP.

4.1.5 Summary of Assumptions

In summary, the design of LGPP rested on a number of assumptions about what had been effective in the past, what were good management practices, what was needed by Polish cities and how best to get impact, both locally and nation-wide. The assumption of technical readiness for further innovation in LG practices was more valid in its application to partner organizations and Polish consultants than for the targeted cities. Importantly, the hypothesis that effective demand among the *gminas* for technical assistance would continue after LGPP closeout has proved substantially invalid.

Before proceeding to a discussion of lessons learned from USAID's recent local governance assistance experience in Poland, it is necessary to look closely at observable impacts of that assistance. The sections that follow will elaborate further on the impact of the project and the effect of design and implementation on its successes and failures.

4.2. Program Impact

4.2.1. Dimensions of Impact

LGPP was designed to make a difference for a large number of local governments in Poland, both directly and indirectly. The project was intended to have effects over the long term on critical local functions such

as municipal service improvements, finances, and public access to local government decision-making. The project also was designed to provide support to local governments as they would seek assistance from both local consultants and other relevant organizations after the end of the project.

According to project implementers, LGPP cooperated directly and indirectly with more than 250 local governments. Conference attendance and third-party training brought the total number of local governments involved, at any level of extent or intensity, to 600 out of the 2,500 nation-wide.

It is useful to examine LGPP project impact and results, to determine what was most effective, and what factors of design and implementation may have been most determinative.

4.2.2. Impact on Project Cities

Technical assistance was provided to 45 *gminas* in the first half of the project, and resulted in approximately 80 completed site activities.³⁷ A significant portion of the project budget and the largest amount of LOE was allocated to this activity, but our data show that it had a relatively modest impact on the specific targeted local governments and unimpressive contribution to the achievement of project goals in general.³⁸ What was wrong with this intervention method? While nothing necessarily is “wrong” with a focus on approximately 200 *gminas* there were major problems in obtaining effective demand for assistance from the cities, for reasons already stated. Other constraints included:

- *Gminas* tended to be chosen based on criteria relating to broad USAID political or policy objectives, rather than likelihood of technical success.
- Both implementers and *gminas* had over-ambitious expectations of what could be accomplished. In some cities as many as four different LGPP site activities were implemented at the same time.³⁹
- Projects were not integrated into a coherent package of management improvement, did not take place in a gradual and coherent sequence and hence did not maximize the learning from one site or city department to another. Skills tended not to be organically built up across the cities’ organizational segments. From the viewpoint of the targeted cities, TA was delivered on a strictly sectoral basis, with each segment of TA ploughing forward with a focus on “trees, not the forest,” as some of our city respondents told us. This tended to divert city leadership away from the broader issues of their primary concern, and it may have limited overall technical impact.
- Some project experts lacked comprehension of the Polish system, and did not adapt practices and concepts to local, ongoing conditions in the *gminas*.
- As discussed above, inexperience or lack of appropriate skills of some of the local Polish subcontractors and staff in the early part of the project detracted from achieving more impressive results.
- There was no incentive structure for *gminas* to adopt new tools promoted by LGPP. Now, for example, law requires the use of GFAM, so the incentive structure has shifted in favor of its use.

Two other approaches were subsequently designed as a means of obtaining more solid results in more cities for less money:

³⁷ Assistance to a further approximately 150 *gminas* resulted in at least as many additional completed activities .

³⁸ A USAID staff member’s own assessment of results suggested that compared to 100% for expected or planned results, improved *gmina* operations as viewed by citizens might rate a score of 20% in terms of what was achieved, contrasted with 150% for the development of a professional cadre, 120% for development of management tools for Polish local governments, and 50% for actual and immediate use of management tools. Finally he rated Polish cities’ continued use of those management tools at 30%

³⁹ Interviews with former LGPP staff and officials of participating cities.

1. Focused assistance to groups of cities on one particular problem was developed as a way of reaching more cities with cost savings. City leaders and staff were invited to attend seminars on particular methods and problems. Once a city had taken the training, they were invited to prepare a proposal for assistance in the problem area as it related to their *gmina*. *Gminas* were grouped together for further assistance on similar problems. While the resulting TA in response to these proposals was modest on a per-city basis (cities tended to receive only a few days of individual technical assistance in each instance), this approach was useful because it:
 - Was based on *gminas*' self-identification of their main problem areas;
 - Combined training and technical assistance based on previous experience in LGPP;
 - Allowed *gminas* to network with each other on problem-solving;
 - Led to notable results in a relatively cost-effective manner; and it
 - Used local consultants ready to provide the focused technical assistance.

2. Costs of technical assistance were shared with *gminas*. LGPP offered training in financial management to consultant organizations, certified those who were deemed technically proficient, and launched a program that paid half the cost of hiring those consultants to provide technical assistance to *gminas* for financial management services promoted by LGPP. This approach was designed to meet two goals at once: providing TA on project issues to a large number of *gminas* at low cost, and that of strengthening overall consultant professional capacity to offer services to *gminas* after the project terminated. Thus the approach was to build up both the “supply” and “demand” sides of the existing (very modest) LG consulting industry. This approach brought impact in a short time period (one year) for a low cost (under \$350,000 for assistance to 100 *gminas*) because:
 - *Gminas* were competitively chosen and focused on one problem area;
 - *Gminas* actively participated in monitoring consultant work and involvement in the TA because they were financially committed and the work was of importance to them;
 - *Gminas* both participated in the design of the TA they desired, and monitored their consulting contracts;
 - Consultants had been well trained in financial management methods and techniques, and had gained experience from the previous two years of the project; and
 - Consultants gained experience in working in market conditions and meeting the demands of a client (although this in itself did not directly lead to the desired result of expanding the demand for consultants by *gminas*).

A number of factors account for observed differences in impact from one *gmina* to another. These include inevitable variation in the quality of technical assistance, cross-city variation in the interest and importance of the problem to the *gmina*, city staff time allocated to working on the project (often a function of commitment of city leadership), complexity of tasks a city would contract for, and the level of skills city staff would bring to the assistance.

4.2.3 Spread Effect to Other Cities

Spread effect to other cities was an important goal of LGPP. To ensure that this took place, the consultant awards fees were based on achieving targets in both partner and non-partner municipalities. To get the award fee, the implementer had to demonstrate that municipalities above and beyond the 46 pilots had shown impact, as measured by one of the many indicators (see annex B). Getting the awards fees was important to the implementer and thus led to developing alternative methods of TA to propagate observable impacts. However, as the LGPP mid-term evaluation noted, project emphasis was more on the development and dissemination of best practices, tools and methods, and less on achieving real change in the municipalities themselves (this is borne out by the one 10-city survey of impact undertaken during the

project).⁴⁰ In fact, little is known about the real impact on either project or other cities other than that project cities did or did not use a project tool or method.

LGPP employed a number of other mechanisms to spread the impact to more *gminas*. A large investment of time and money was expended on a newsletter, website, written documentation of best practices, newspaper articles, TV programs, and inserts to the monthly local government magazine.

Although the reach of these dissemination tools appears to have been quite broad (for example, the newsletter was mailed to 1,200 subscribers and the website recorded hundreds of hits monthly), the MSI team has found that the impact of this effort was partial. The dissemination activity appears to have made LGPP and some new technical concepts very well known, but municipalities do not appear generally to have adopted new governance or management practices as follow-on to the newly acquired knowledge.

The exception appears to be the 8 LG conferences, which drew an average of approximately 100 participants and were generally well received. The face-to-face experience allowed for networking and comparing of experiences among municipal staff and officials. Another 400 *gminas* were touched through conferences, but it is difficult to find direct evidence that dissemination tools resulted in direct impact on how and what a *gmina* did. Again, it is difficult to relate direct impacts to conferences, although a study by USAID indicated that *gminas* learn more from contacts with each other than through manuals, publications or other sources of information. Interviews conducted for this assessment deliver a mixture of confirmations of this phenomenon along with instances in which such diffusion of information does not appear to have happened at all.

The spread effect, or general impact of LGPP on *gminas* was not a function of the technical assistance or even necessarily the publicity and information the project generated. Most important to spreading use of new methods were outside forces and incentives that followed, both legal and financial, such as bank requirements for lending to municipalities, and EU requirements to access regional funds. Out of 2,400 *gminas*, project activities only directly touched a very small number, but over time, cities matured, and perceived the need to employ new measures to meet new external challenges.

4.2.4. Nationwide Policy Impact

Policy impact was not a direct objective of LGPP for reasons cited previously. Policy issues were mainly developed through the parallel IMAC project. As was noted previously, the design of LGPP was influenced by a change in attitude towards decentralization on the part of the central government, and a desire to consolidate the gains and reforms that had been established, and enable local government to meet their new obligations and responsibilities.⁴¹

4.2.5. Sustainability of the Project

Sustainability of project elements was an important consideration in the LGPP goals and its design. Several intervention methods were intended to lead to the desired result of creation of a sustainable base for support to local governments after USAID's departure from Poland.

- *Development of an expert consultant corps and local organizations to support local governments*

⁴⁰ According to the mid-term evaluation a survey of 10 project cities revealed that while cities had adopted new tools or approaches promoted by LGPP, citizens did not perceive any notable improvement or changes in services or municipal functioning.

⁴¹ The mid-term evaluation notes that USAID's original project design included work on policy reform, but that the poor performance by the implementer led them to alter their expectations

Over 70 subcontracts were issued for technical assistance, training, or other project activities. Many consultants provided good services under clear and tight TORs, some were not good and did not provide good services and were replaced. Consultant groups and individuals greatly expanded their ability to work with local governments on particular issues, learned new methodologies (some of which they use still, some of which they have abandoned as not well adapted) and gained experience operating in the market place. The knowledge and overall capacity level of local government expertise in Poland clearly benefited from the LGPP program. Some 50 consultants were used in addition to project staff, in one or more aspects of local government practices.

The training provided to groups of potential consultants in financial management⁴² was of high quality and insured that the quality of assistance would be of an acceptable standard.⁴³ Many consultants trained or hired by LGPP are still actively engaged in some aspect of local government support, and are contributing in an indirect way to the sustainability of the project efforts. Some, but not many, of these are consulting directly to cities, and far more are engaged through recent donor programs. Unfortunately, cities still lack sufficient resources and financing opportunities to provide a level of effective demand adequate to meet the newly expanded supply of assistance providers. A number of consultant firms disappeared, unable to survive in business without donor programs, and unable to get contracts from *gminas*. There has definitely been a shakedown in the sector as the supply contracts to meet effective demand. Only in the last 2 years, with EU accession imminent, has the demand for some relatively specialized services expanded, in particular for financial analyses necessary for EU grants and bank loans, and the development of economic strategies. Although the assumptions about demand for consultants were not correct, there has been a demonstrable and sustainable impact of this project component.

Fifty-eight grants were awarded to fifty-four organizations (consultants, universities, NGOs, local governments) for projects related to the objectives of LGPP (technical assistance to *gminas* as well as institutional development and training). Although some of the grants were for substantial amounts, there does not appear to have been much impact on achieving the two goals of this component, namely contributing to site-specific project impact, or long term impact on the organizations involved. Nor does it appear to have contributed substantially to sustainability of project efforts.⁴⁴ Grants were for the most part one-off with no follow up, and grant projects were undertaken in a void, completely unrelated to any other aspects of LGPP or to work occurring in LGPP project cities.⁴⁵ This was due to the late start in implementing assistance to project cities, resulting in a disconnect between the two project components.⁴⁶

According to the institutions interviewed, the grants appeared to have little impact on the sustainability of organizations' commitment to support to local government. Those who focused on local government continued to do so, within the limits of funding available, and some organizations continue to work directly with and for local government, supported by the progressively fewer donors around who funded

⁴² In order to spread impact beyond the 46 target cities, LGPP trained consultants to deliver a set of financial management tools, certified them as consultants, and then offered cost-shared TA to interested cities. The cities effectively hired the consultants with LGPP paying half the cost.

⁴³ There was a double incentive to consultant participants; in addition to being trained, they potentially would be hired by *gminas* under the cost share program. Feedback indicates that most of the technical assistance provided by trainees was of good quality, but the label "certified" seems to have lost cache after the end of the project, and trainees compete for work on an equal footing with everyone else.

⁴⁴ This is a generalization, and like most generalizations there are exceptions, for example the Polish American Foundation, and the Associations of municipalities that received grants.

⁴⁵ Requiring grantees to attend a course in grants management and evaluation generated a certain amount of ill will.

⁴⁶ A USAID informant reports that stronger support to the projects could have been gained by tying grants to support to LGPP work in partner *gminas* or through grants to promote LGPP tools, but that this would have meant postponing start up until such tools were developed.

such activities. The grants program was cut in half during the second part of the project as resources were reallocated to impact more *gminas*, to the disappointment of the grant recipient organizations. Priorities and technical approaches of currently active donors (especially the EU and the World Bank) appear to carry notable weight among Polish cities today. Grantees (many of them NGOs) find that they are competing against contractors for the same scarce resources.

- *Development of accessible tools and documents*

A number of institutions that were associated with LGPP as implementers continue to use materials developed by LGPP, although other tools are available now as well. World Bank currently promotes the financial model in their current project, as do most other consultants operating in the financial sphere.

The battery of manuals, books and documents cataloging LGPP tools and information were meant to serve as an institutionalized means for local governments to access information they needed to implement LGPP practices at their own pace, and to provide a ready “toolkit” for advisors and institutions at the termination of the project. LGPP produced fifteen books on different topics (see Annex B). As we have noted, these products varied in technical quality. The series on local finance was estimated to be of high quality and has been used by many consultants. LGPP distributed the books and other manuals to participating municipalities. Their publisher also sold the books; he estimates that he sold half of the volumes that LGPP did not distribute.⁴⁷ The books appear to have been a good LGPP investment, but better quality control would have greatly improved their value.

The mid-term evaluation strongly recommended that a clear method was needed to assure the desired post-project dissemination of documents and methods. A full set of project manuals and documents were lodged with five institutions (four university schools of public administration and the FSLD) in the hopes that these institutions would continue to publicize and use them. However, a full-fledged effort to assure the publicity and availability of the documents was not developed during the life of the project, and no formal arrangement was set up with the institutions themselves, specifying expectations or requirements,⁴⁸ due to legal problems surrounding a grant for this purpose.

As a result, efforts to continue outreach were not stimulated, as no organizational interests were served by such an effort.⁴⁹ It does not appear that these institutions have provided any effective publicity to local governments about the documents, as respondents questioned did not know where to find LGPP documents, and cities indicated that they look to the *powiats* or municipal associations for information and documentation, rather than to these organizations. Sustainability of dissemination is a difficult problem to solve at the end of a project, especially when the donor is no longer present, and this solution does not appear to have been notably more successful than most others. As a result, potential impact of project tools and documents was far less than desired.

4.3 Program Impact: Summary

If we take an “ambitious” perspective toward LGPP’s intended impact (and arguably we should, given that it featured quite intense levels of inputs and activity), we derive a mixed, and not particularly

⁴⁷ While a commercial failure for the publisher, according to his own account, LGPP should be credited with attempting to find a creative way to subsidize technical materials for which the audience is limited.

⁴⁸ A Letter of Agreement was signed with each institution

⁴⁹ The one institution of the five that was interviewed noted that the implementing contractor “dumped” numerous unsorted and unlabeled boxes of documents and project papers at their office, and these remain to this day where they were left off.

impressive, set of impacts from the project. Direct TA to *gminas*, in particular, appears to have had largely indirect, subtle results on how cities actually do their work. Instances of observable impact on city practices tend to fall into two categories:

1. Larger cities with relatively high levels of organizational resources, where interviewees often noted that innovations likely would have taken place in the absence of USAID assistance, or
2. Smaller and medium-sized cities which often “learned a lot” from the TA but in recent years have lacked either the economic incentive or the resources to put the learning into sustained practice.

Because the incentive structure surrounding the cost-sharing program, conducted late in LGPP’s project period, was more favorable to cities’ active engagement, it appears to have proved more successful, with more readily observable and more lasting results. Impact on cities not directly receiving technical assistance is very indirect; although the general consensus from respondents is that the project heightened awareness of management issues.

Development of a substantial group of technically competent and organizationally viable Polish groups and individuals who could provide market-based TA to cities brought a more positive result, but still with a mixed picture. The knowledge and overall capacity level of local government expertise in Poland clearly benefited from the USAID program. But arguably USAID assistance stopped too soon: cities lacked sufficient resources and financing opportunities to provide a level of effective demand adequate to meet the newly expanded supply of assistance providers. In this respect, the assumptions of program designers about the ability to create effective demand were overly optimistic. Only in the last couple of years, with active engagement in Poland by donors succeeding USAID’s departure, has demand for some, relatively specialized services expanded.

Finally, the substantial LGPP efforts at dissemination of knowledge, practices and information have proved only partially successful. While some aspects of this component, such as the technical book series and the major conferences, were of high quality, there was no long-term plan for sustainable dissemination.

4.4 Discussion of Basic Issues

The Scope of Work identifies four areas of analysis of issues basic to project design and implementation. The following comments are offered in response to the questions posed.

4.4.1 The quality and appropriateness of the approaches and techniques

- Undoubtedly, the project was too large, with too many project cities, and too many components. The complexity made it difficult to manage the required regional offices, and a large number of staff and organizations all focused on achieving specified results within far too short a time period. Arguably, neither the size nor the number of project cities have significantly contributed to national impact or project success, and may well have diluted the potential successes of a more focused project. Potentially, fewer and better-selected cities would have led to more impact in project cities.
- Free technical assistance on issues and practices identified by the donor was not the most successful methodology; more successful was a competitive selection process, coupled with cost sharing. Together, these latter two approaches ensured that cities were interested and committed and prepared.

- Certain practices were difficult for cities to learn or apply and cities had very limited funds to pay for consultant assistance then and now. This has restricted spread effect.
- Focused training followed by limited TA appears to have been a successful approach, when used with competitively selected cities.
- Techniques – such as financial management processes – were well defined, and the tools had been well developed, and well suited to *gmina* needs. Other areas of technical focus were less appropriate, such as task based budgeting, housing, and integrated strategic planning.
- Project design and implementation did not take into account the need to integrate one technique with another in a given city.
- Outreach and dissemination tools such as publications, although of high quality, may not have been justifiable as an approach to spread impact, given the low observable payoff. A more selective approach focusing on what local organizations could promote after project closeout might have worked better.

4.4.2 Role of local organizations in development of approaches

- Indirectly, municipal associations were involved in deciding what approaches and techniques were useful to cities. However, the implementing organizations and consultants were not directly involved in the design of the instruments or method of application or their adaptation to particular *gminas'* needs.
- Local consultant organizations were hired to follow a specified scope of work and implement a template prepared – without local consultation – by expatriate consultants. While this standardized approach permitted the dissemination of the tools that had been designed by the project, it did not allow for any adaptation to individual needs of *gminas*. A cookie-cutter, externally imposed approach generally only is successful when the conditions are similar and the solutions the same and clear for all.
- USAID and US expatriate advisors determined the approaches that were relevant. This led to problems because expatriate staff were not sufficiently familiar with the context and needs of *gminas*, and could not properly assess the capacity of *gminas* to understand and absorb the information. *Gminas* also had no incentive to take “ownership” of approaches that expatriate advisors formulated.

4.4.3 Demand for techniques and approaches developed

- During the life of the project, there was considerable variation among project cities in the desire for assistance, and demand for technical assistance. This was due mainly to the attitude of the respective city towards the relevance of what was offered. Clearly, this was different when a competitive selection process was instigated.
- Some of the concerns of LGPP were not high priority concerns of *gminas* during the life of the project. Interest had been aroused by a change in conditions or necessity to deal with new priorities. .
- Following project termination, demand, as expressed in use of consultants, has not been high for most project approaches. Those services in demand are financial analysis, economic development planning, assistance in corporatization of communal services and assets, and preparation of infrastructure loans. These techniques assist the cities to access direct benefits and correspond to current external demands.
- Small cities find consultant assistance unaffordable. There may be interest, but not effective demand.

4.4.4 Role-played by the political environment on development of approaches and techniques for Local Governance

- The political environment of the late 1990's was a critical element in the design of the project. The heavy focus on city management issues was only possible because the legal and regulatory framework was already highly advanced and cities had both new authority and money.
- The 1998 reorganization into three levels of government made it even more important for sub-national entities to understand how to manage new responsibilities.
- Relatively positive macroeconomic conditions in the late 1990s may have led to an overestimation of how responsive *gminas* could be to the opportunities presented by market-based assistance, but by the end of the decade the economy was not good.
- Privatization and the need to develop new ways of financing services became a strong impulse for adoption of new practices as the economy began to recover and the impact of European integration began to manifest itself.
- External factors can be critical elements in getting impact. The municipal finance market and EU accession, both factors external to LGPP and to the legal and regulatory framework, have been instrumental in stimulating current demand.

4.4.5 USAID Processes

- The use of a performance-based contracting provided both benefits and challenges. When the contractor's initial approach to working with project cities proved less than successful, new methods were devised to make the process work. However, the fee awards indicators were imperfect (they were already revised after the first year) and didn't really measure impact of the project assistance; they measured institutional adoption of a practice but not its result. It is questionable whether a performance-based contract is well adapted to the type of project where results are so difficult to measure.⁵⁰ No other USAID local government project has used this contracting mechanism.⁵¹
- The very size of the project: made it impressive and important, but also unwieldy. There is a definite limit to the absorptive capacity of institutions, particularly over a short time period. The amount of assistance, which was a function of the money available, was more than project targets were able to use.
- Results were expected within three years. Due to a contract protest and a difficult first year on the ground, real implementation time was shorter than planned. The expectation that significant change could be effected in a large number of municipalities and that significant impact would take place in such a short time period was over-ambitious and unrealistic.
- Better results in project cities might have been obtained, had the consultant been given the opportunity to build up the program gradually, and develop good working models.
- Some poor initial choices of cities were made, due to political interests of those involved in the process.
- Project design took place in 1997. Project assumptions made long before project implementation need revalidation.

⁵⁰ The problem of the performance-based contract is discussed in detail in the mid-term report. The evaluation team did not delve deeply into this problem with the contractor or with USAID.

⁵¹ The contractor in particular believed that the way the contract was written generated many problems both in implementation and impact. The mid-term evaluation finds fault with the performance based contract, stating that it skewed LOE and staff time towards the components with the largest rewards, regardless of the potential for impact.

5.0 Conclusions

5.1. Review of Project Goals

We derive analytical conclusions from the observations presented on the preceding pages. As noted in the description of the assessment methodology, we refrain at this point from offering program recommendations, because these are to be developed from the forthcoming cross-national synthesis. Instead, we present the following summary points as they relate to the evaluation goals.

5.1.1. Determine the impact of USAID sponsored local government activities on the management capacity of local government

In some respects, longer-term impacts on *gmina* and private sector technical capacity are only coming to fruition now, as expanded flows of (non-USAID) donor resources are being made available to cities that can successfully apply for assistance from the EU or World Bank. Effective demand among cities was very low immediately after the USAID program terminated, but it appears to be growing in response to this changed environment.

The exposure of people to new ideas, of expanded awareness, and of a renewed sense of how local problems can be solved – these are phenomena difficult to measure, much less to weigh into an overall equation of program impact. The educative and “awareness-expansion” effect of the USAID program is readily evident. With the absorptive constraints and competing donor efforts we have cited, however, we must conclude that the impact of these activities, important as they are, is largely subterranean. In addition, since LGPP was a relatively intense “shot” of technical assistance and training over a fairly short period, the result, arguably, has been that the human capital base for local government was made more ready, with USAID’s help, to engage with non-USAID donor partners in opportunities that have come as a postlude to USAID involvement in Poland.

The design of LGPP was over-ambitious in its expected results, given the actual level of technical capacity among cities and some assisting organizations. In addition, relatively positive macroeconomic conditions in the late 1990s may have led to an overestimation of how responsive *gminas* would be to the opportunities presented by market-based assistance. The short time period for the project left little time for implementation breakdowns. As noted in MSI’s interim evaluation of LGPP and confirmed in our interviews, implementation for the first 12-18 months suffered significant setbacks. This led to a wider gap between expected results and mid-term achievement. It appears that LGPP moved very fast in many respects after the first 12 months, but the environment in Polish municipalities still was not as receptive to technical assistance as envisioned in the original design.

5.1.2. Examine influence of national political environment on local governance activities

Local government in Poland had been transformed by legislation passed over the previous ten years. The new responsibilities and authorities meant that *gminas* had substantial independence. The period of LGPP saw at least one more major change to the system that required a shift in project resources and endeavors. The years 1998-2001 were not considered “reformist” but there were many initiatives that still had not been absorbed by local government and where the central government was still making adjustments. Generally, these affected the finances of local government, and the shifts in flows of funds. These decisions were external to the project but had

an effect on the ability of *gminas* to undertake spending, and also affected their interest in new approaches to investments, revenues and expenditures.

5.1.3 Determine the impact of local government activities on the process of decentralization and enhanced local governance

The decentralization process was well underway during the period of the LGPP project. The intent of the project was to reinforce the new system that had been put in place. In this respect, Poland, like most other transitional countries, lacked the experience and capacity at the local level to meet the challenges and responsibilities that were progressively and rapidly allocated to it after 1991. While decentralization occurred faster in Poland than in other transitional countries, the learning curve for Polish local officials was no different than in other countries—they merely had a head start. Local governments in Poland had demanded – and won – increased authority and responsibilities, but many still did not know how to approach, or have the resources to meet their new responsibilities.⁵² LGPP contributed to enhancing their ability to provide good management and carry out the demands of a decentralized system.

5.2. Review of Lessons Learned

This section draws upon observations by the assessment team as applied to the specific Scope of Work design questions.

5.2.1. How can USAID and its partners design useful, desired and affordable approaches?

- Although USAID attempted to involve cities and municipal organizations in the design phase, in fact, the primary design came from the Pilot Project implementers and USAID, and was heavily influenced by their perceptions and their self-interest in promoting project past successes. USAID would be better served by bringing in outside advisors who can work independently – and in a structured process of stakeholder consultations – to determine needs and interests free from issues of conflict-of-interest with an existing project or implementer.
- USAID should be mindful that its perceptions of what is “needed” may be colored by its own institutional imperatives and political requirements. Some of these may not be relevant to assistance recipients, or not relevant at that particular point in time.
- Local interest in approaches and techniques will inevitably focus on solving immediate problems with existing resources, and not on the long term. A democratically elected local government also affects the way a mayor thinks. Some mayors are far-sighted enough to think about the long term, but many will respond to what is possible and needed now, and what short-term achievements are most likely to propel their re-election.
- Bigger is not better. Relevance and timeliness are more important.

5.2.2 What are the most effective ways in which to involve local organizations in the development and implementation of local government activities?

- Local organizations should be used as implementers only when and if they possess sufficient experience and qualifications. If they are unqualified, the project and intended beneficiaries will suffer.

⁵² As we have indicated elsewhere in this report, USAID underestimated the capacity and knowledge base at the local level.

- Competitive selection of local implementers – based on professional quality as well as cost – is a useful tool to find the most qualified and interested groups.
- Local staff and structured stakeholder participation should be included in design of instruments and techniques.
- Training of implementers is useful if appropriate supervision, mentoring or feedback follows it.
- Sustainability of local organizations depends on viable demand. Demand can be donor-driven and financed, or it can be market driven (meaning that someone can pay for it). Local organizations and consulting businesses will only be sustainable if they can match a product to the demand. Many donor programs offer products that are not market demand driven, and will not be sustainable when offered by consultants operating in the market economy. Project efforts to develop consultant sustainability should rest on a hard analysis of what is marketable.

5.2.3 Should USAID task the implementer with creating and implementing approaches in a certain number of local governments or with developing approaches and techniques that will be demanded by local governments?

- There are already a number of tools and approaches. USAID is best served by requiring the implementer to select those that meet the demands and priorities of local governments and to adapt them to local requirements. Experience shows that approaches that are not desired and highly relevant will not be implemented.
- The LGPP project did not achieve more impact by working in more cities. More important is that the approach is highly relevant to many local governments' needs, and can be easily adopted without technical assistance.

5.2.4 How can USAID activities have the greatest impact on enhancing decentralization and improving local governance nationwide?

- In the case of Poland, helping local governments to better use their new powers was the appropriate approach to decentralization.

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ANNEX 6.8

ASSESSMENT OF LOCAL GOVERNANCE PROGRAMS IN ROMANIA

FINAL REPORT



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1.0 INTRODUCTION

1.1 Context of Assessment

This report conveys the results of the Romania component of USAID's Bureau for Europe and Eurasia's (USAID/EE) four-country assessment of local government programs. Other countries included in the assessment are Ukraine, Poland, and Albania. The core analytical product of the assessment, a cross-national synthesis, will be produced when data collection and analysis are completed for all four countries.

As stated in the Terms of Reference for this assignment:

“Over the past ten years, USAID has supported numerous local government activities in countries throughout the Europe and Eurasia region. From the early days of transition, USAID has realized that support for decentralization and improved local governance would provide key assistance to reformers interested in breaking down the centralized communist system and demonstrating that transition could work and serve the people. More effective local governments can show citizens that transition can pay off⁵³.”

This assessment has been carried out to describe the impact of USAID's targeted programs, to determine whether the impact of these interventions has led to more effective local governments. Through an assessment of the impact of specific local government activities sponsored by USAID's Bureau for Europe and Eurasia, the MSI assessment team presents its findings.

The MSI assessment team has carried out this assessment in such a way as to be as responsive as possible to the stated goals of the assessment task order, to:

- Determine the impact of USAID-sponsored local government activities on the management capacity of local governments in the four countries;
- Examine the influence of the national political environment on the adoption of the USAID-sponsored local government activities; and to
- Determine the impact of the local government activities on the process of decentralization and enhanced local governance.

1.2 Structure of Report

Section 2 describes the overall methodological approach that the MSI assessment team employed in this assignment. The specific design of the analysis and assessment is discussed, and its relevance to this country's local governance context, political and cultural environment, and to the character of the data that was available and accessible.

Section 3 provides an overview both of the present character and recent history of local government in Romania and of USAID's urban programs. A particular emphasis has been placed on those programs carried out within the past five years, for which reliable data is more available.

⁵³ Extract from Statement of Work (SOW) from RFP M/OP 2002-001594: Assessment of Local Government Programs, Section II, Background - page 2

Section 4 presents the MSI assessment team’s key findings, starting with an articulation of the most important assumptions discerned by the team that were made by USAID when designing and implementing the interventions intended to encourage more effective, responsive, and transparent local governance. Each assumption is analyzed. The specific impacts of USAID’s programs are then reviewed, followed by a discussion of the basic issues that pertain to the intervention – quality, appropriateness, degree of local participation, the level of demand for techniques developed, and the constraints or opportunities that arose from the political environment.

Finally, **Section 5** summarizes the conclusions, first by considering the three critical project goals (impact on local government management capacity, influence of the national political environment, and the impact on decentralization). Section 5 concludes with a summary of the important lessons learned, gleaned from the assessment of the recent history of local government interventions by USAID.

The report also contains several annexes, with a copy of the scope of this assessment assignment, details of program activities, data collection protocols, a list of all persons interviewed, and a bibliography of documents used in this assessment.

1.3 Acknowledgements

We wish to express our gratitude to all our interview sources who graciously offered their time and thought in our discussions, and to Michael Keshishian of EE/LG for his kind and consistent support.

2.0 Assessment Methodology and Team Composition

2.1 Overall Approach

In accordance with the multi-country assessment's Scope of Work,⁵⁴ MSI focused its attention on four basic issues of local government assistance in Romania:

5. The quality and appropriateness of the approaches and techniques developed and delivered;
6. The role of local organizations in the development of approaches and techniques;
7. The demand for techniques and approaches developed; and
8. The role played by the political environment on the development of approaches and techniques for local governments.

2.2 Design

The design for this assessment is an ex-post, multi-site, comparative case study. Classically, to assess program impact evaluators look for data collection and analysis arrangements, which allow for *systematic comparison* of conditions with and without the program intervention. This may be carried out through various means, such as before-after comparisons or cross-sectional comparison of similar units within a target population that either (a) underwent program assistance or (b) did not. Since this assessment's approach, as specified in the Statement of Work, is essentially retrospective ("ex-post"), no opportunity was available to identify comparison groups as part of actual program design or implementation. Instead, elements for comparison of program "treatment" and non-"treatment" have been incorporated where feasible within the practical and budget constraints of the assessment. For example, the team held interviews with officials from cities with heavy involvement with the USAID program as well as with those from cities that experienced little or no such involvement. Units of analysis include each of the four USAID local government program and the various projects as described in Section 3 and Annex B below, as well as specific LGUs, central governments, implementing organizations, local partner organizations and individuals.

The assessment is "multi-site" because in each country it incorporates data collected from a carefully selected sample of LGUs, as well as central government officials, USAID local government advisors and managers, representatives of US-based and locally-based implementing organizations, subcontractors, nongovernmental organizations, academic institutions and think tanks.

Available resources (especially the ex-post character of the assessment and limited data collection time in the field) prohibited extensive primary surveys. Instead, reliability of findings was supported by a modified "bracketing" approach to sampling, in which the relatively "extreme" items in a relevant population are sampled along with items that would be expected to be more typical of the group at large. The in-depth interviews, which constituted the major source of primary data, allowed the team to reach a level of consensus and confidence, after considerable initial exploration in each country, about what sites

⁵⁴ See Annex A.

would serve as good bracketed sample sites.⁵⁵ Within the bracketing, criteria for sampling interviewees included:

- Program relevance: The team strived to collect data about interventions that involved major aspects of the program, readily associated with either the documented objectives of the program or simply with notable outcomes (positive or negative). Suggestions from knowledgeable individuals, with various organizational affiliations, were essential for ensuring the relevance of data collection.
- Quality of available knowledge: We worked hard to ensure that the people we might interview at a site would be able to report to us based directly upon their own experience and awareness. This required rather detailed advance communications with prospective data collection sites.
- Representativeness: The team sought a balanced representation of key elements in the program, such as sub-sectoral components (e.g., local economic development, strategic and financial management, capital improvement planning and finance, municipal service delivery, and public relations/citizen participation). In addition, we selected sites to provide diversity that would accurately depict the diversity in program implementation and impact. We did this by seeking representative coverage of:
 - Geographical areas of intervention;
 - Sites noted by early interview sources as having been “successful” or “unsuccessful”;
 - Sites with varying levels or intensities of USAID program assistance (i.e., LGUs with high levels of assistance, low levels of assistance, and a few which, at least initially, were reported to have experienced no USAID local government assistance at all).
- Logistical practicality: Finally, MSI balanced the above criteria with the need to complete data collection in a manner that made best use of available data collection time and travel resources. These required, for example, detailed scheduling and coordination of in-country travel by each country team.

Clearly, the assessment team was not able to collect comprehensive data that would fully meet each of these criteria. Each MSI country team consulted closely with USAID local government staff, local experts and others knowledgeable of the USAID program and the decentralization environment in order to arrive at data collection decisions that were cognizant of the design tradeoffs associated with them.

Finally, this assessment is “comparative” in two ways. First, within each country program it compares program assumptions, implementation approaches and observable impacts across assisted cities, across projects, and across central government policy environments. Each country report summarizes these comparisons in sections of text addressing (a) design and implementation assumptions and (b) program impacts.

This approach carries with it some identifiable *limitations*:

4. With the ex-post structure to the design, causal attribution in this assessment, as in most such reviews, is not straightforward. The team took care to develop “before-after” and “with-without treatment” comparisons as we were able. In many instances, of course, viable comparisons of this kind are not possible on an ex-post basis. It is not possible, obviously, for the assessment team to “rewind history” in order to observe impacts in a reconstructed before-after comparison. Similarly, the passage of time since the program intervention allows for alternative factors, such as socioeconomic developments in municipalities and more recent technical assistance provided

⁵⁵ On the methodology of qualitative interviewing to gather perspectives and generate recommendations, see *Conducting Key Informant Interviews*, USAID/CDIE Performance Monitoring and Evaluation TIPS Number 2 (1996).

since the close of the USAID program, to distort causal analysis. The MSI team has dealt with such challenges by structuring its samples for data collection as described above, and by utilizing semi-structured interviews which allowed for adaptation to a respondent's level of knowledge.

5. Reliability and balance in the resulting samples of interviews and documents used in the assessment call for careful review and assessment. MSI recognizes that there will likely always be at least one more interview that might add analytical weight or descriptive texture to an assessment. Data collection was conducted under resource limitations: Each country team was not large (three or four expatriate and local specialists, assisted by interpreters and logistical experts as needed) engaged in data collection for two to three weeks. In this case, we invite reviewers to peruse the Annexes to this report describing persons contacted and data collection protocols, and to consider the extent to which MSI's resulting findings and conclusions may be misleading.
6. Quality control to support data collection and analysis in a relatively complex, qualitative study of this kind can be difficult. A more quantitative approach to the assessment (utilizing sample surveys, for example) was judged by MSI to be inappropriate and likely wasteful of USAID resources, given the retrospective assessment questions. In addition, the analytical subtleties of probing historical program experience to derive key linkages between program design and impact are not well suited to quantitative methods of data collection. In the end, the analyses produced by the MSI team are supported by (a) an assessment design geared closely to the key evaluative questions asked in the assessment statement of work; (b) a sample of interviews and analyzed documents that is driven by the assessment questions and made public in the final reports; and (c) a team approach to analysis and reporting, which counters the emergence of insufficiently grounded reporting in final products.

Two elements of the assessment's design, identified in the SOW and discussions with USAID/EE, also should be noted. First, at EE's suggestion MSI has generally not probed deeply into the impact of USAID work with associations of local governments or local government professionals. This topic is not considered a priority area of substance for the current assessment. In each country assessment, the roles of such associations are discussed, often because it would not be possible to present an accurate, coherent picture of the country program without doing so. At the same time, the assessment team generally has taken a "minimalist" approach to the roles of associations.

Second, for reasons of simple efficiency, MSI has taken into account the substance of recent relevant assessments or evaluations, and has made minor design adjustments as needed. Similarly, because EE carried out a 2002 review of local government training programs in several countries of the region, this assessment recognizes training as major parts of the country programs but takes care not to be repetitive of the precursing effort.

Aspects of the Romania assessment: After initial document review, logistical preparations and interviews with knowledgeable sources in the US, in-country data collection for the Romania country assessment took place during 3 weeks in May of 2003. A total of 49 interviews were conducted. Nine LGUs (cities or *judets*) were personally visited, and officials representing two others were interviewed in Bucharest. Several additional interviewees from associations also had extensive experience as local officials.

2.3 Analysis

A "synthesis and dialogue" technique was used in analyzing collected data. Key documents and interview write-ups were shared among members of the assessment team, and team members were expected to read and absorb this material. For one and one-half days before the in-country component of

the assessment was completed, the Team Leader and all three of the local government specialists met to systematically develop preliminary findings and conclusions. This was a rather intense, demanding session, since integration across experiences from many diverse settings was needed, and a consensus had to be developed on significant observations. In the end, a summary of these findings was developed, which served as a primary source for this report. Preliminary briefings to the USAID local government team (except in Poland, where the USAID program had ended) also helped to validate and refine the team's analyses.

2.4 Reporting

Each country assessment is considered a piece of the larger synthesis. The synthesis, in turn, is considered the core product of the overall assessment. Action recommendations are properly addressed to the organization requesting this assessment; in this case this organization is EE/LG in USAID/Washington. Based on discussion with EE/LG, MSI has determined to refrain from formal program recommendations until the four-country synthesis report is delivered to EE/LG. Since the substantive focus of EE's assessment is on design and implementation lessons to be learned from systematic comparison across country program experiences, recommendations are thought to be premature until data are collected and analyzed from all the relevant country studies. Therefore this country assessment features presentation of background, findings, and conclusions, but no recommendations.

2.5 Team Composition

MSI's Romania assessment team consisted of James Fremming (Team Leader); Michael Lippe (Senior Democracy and Governance Analyst); Gabriela Matei (Romanian Local Democracy and Governance Analyst); and Afrodita Popa (Romanian Local Democracy and Governance Analyst). Both Ms. Matei and Ms. Popa have extensive personal familiarity with local governance in the Romanian context. The team was ably supported by Ms. Ruxandra Dicu, logistical specialist, and several local interpreters. Stephen Schwenke was the Home Office Technical Director at MSI, and Dennis Marotta was the Home Office Project Manager.

3.0 Program Background

3.1 Local Government Context

Romania, like other countries in Eastern and Central Europe, has gone through dramatic changes since the death of the former leader Nicolae Ceausescu in 1989, the downfall of the communist regime, and the promulgation of the new constitution in 1991. These changes have been keenly felt at the local level in the representative bodies that make up local government and in the path that decentralization has taken.

The new 1991 constitution strongly enshrined the place of local government in Romania's administrative structure. It returned Romania to the position that it had between the two world wars, prior to the forty plus years of communist rule. This structure had been modeled on the French system, and even included a role at the local level for the central government prefect.

The 1991 Law on Local Public Administration established a two-tier system of counties (*judets*) and localities (municipalities, towns, and communes)⁵⁶, but the first elected central government only moved slowly to enact legislation that would make these localities stronger and more independent. In 1993, Parliament enacted the Law on Local Taxes, which permitted local authorities to have their own taxing powers, including property taxes, which became over time a major source of local government revenue. It was at about this time that USAID began its first initiatives to support local governance and decentralization (see section 3.2 below). However, the legacy of communist centralized rule, a thin layer of trained administrators and managers, perhaps a lingering fear of what real decentralization might mean, and the sweeping changes that needed to be made at the central level combined to dull the promise of decentralization during the first five years of the post-communist nation.

In 1996 a new coalition of political parties, strongly committed to strengthening local government and pursuing decentralization was elected. USAID was able to respond quickly to this new opportunity, providing specialized assistance that led directly to the adoption by the national legislature of the Law on Local Public Finance in 1998⁵⁷.

Earlier and rather timid efforts at decentralization were replaced with a serious commitment that all external donors embraced. This new law fundamentally changed the playing field upon which local government responsibilities were to be exercised. Nevertheless, although the tempo of efforts at decentralization increased, the effectiveness of the central government in implementation was less successful. From this point forward, however, the die was cast in favor of decentralization.

⁵⁶ Romania has 41 counties (including the General Municipal Council of Bucharest), 79 municipalities, 182 towns and 2,682 communes.

⁵⁷ The World Bank, in its June 2001 report, *Romania Local Social Study Service Delivery Study*, characterized the new law as follows (Volume 2, pp 2): "In October 1998, Romania's Parliament passed a new Law on Local Public Finance which provided for a significant restructuring of fiscal authority of public service provision. This development has had far-reaching consequences. The Law fundamentally changed local public administration in Romania by expanding local authority in the establishment of expenditure priorities, the approval of investments, long-term budgeting, access to credit from the internal or external capital markets, and assessing and collecting revenues from local taxes and fees. The new Law transfers authority for the financing of aspects of many social services, including education, social assistance, and social services such as housing and community services to local governments. The Law, together with companion legislation on ownership of public property, strengthened the fiscal basis of the subnational governments, through increases in their shares of taxes and fees, and new provisions to increase their revenue raising and borrowing capacities."

Romania’s goal to join the European Union also has been an important driver for the strengthening of local government. It has become increasingly clear that the path to EU accession lies through having a more effective public administration, at both the central and local levels. The EU, joined by the World Bank, has signaled that having an effective and working decentralization policy in place that complied with EU requirements was essential to Romania’s effort toward accession, now scheduled for 2007.

Following elections in 2000, and a return to power of the pre-1996 coalition, led by the Social Democratic Party, the situation with regard to decentralization has become more opaque. The question is no longer whether there will be decentralization, but whether it will be effective, whether larger cities that have remained under the control of the opposition will be allowed to participate in the shaping of the system, whether funding will be available to the local authorities to do what has been mandated to them to do, and what the limits are to be. All sides are now attempting to work through the implications of the 1998 Law on Local Public Finance and to come up with a Romanian solution that answers the harder questions of distribution of resources among regions and towns of differing relative wealth, capacities to carry out the functions that have been devolved to the local levels (essentially via unfunded mandates), and the political stresses inherent in a new democracy with a number of political parties and a still strong dependency upon the central state.

Within this evolving and complex context, USAID has also attempted to strengthen local government and to foster decentralization. USAID programs are examined below.

3.2 USAID Local Government Assistance

There have been five major USAID local government programs in Romania, beginning in 1993 and continuing today. These programs are depicted below in the table and discussed in more detail in Annex B. The first two of these programs were managed from Washington, through Bureau central contracts, while the third, fourth, and fifth programs have been managed directly by USAID/Bucharest. It is worth noting that at a number of significant points during the design and implantation of these programs, particularly between 1999 and 2003, USAID experienced gaps in staffing for the local government programs, both internally and with its contractors. This is also depicted below in a table and described in the text.

3.2.1 Table of USAID Local Government Programs in Romania

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
LGAP I	→										
Municipal Finance & Credit				→							
CEEPAA				→							
LGAP II							→				
GRASP										→	

1993 Law on Local Taxes

1996 Elections

1998 Law on Local Public

2000 Elections

3.2.2 Local Government Assistance Program (LGAP I)

The first USAID program was the Local Government Assistance Program (LGAP I), carried out by the International City/County Managers Association (ICMA). LGAP I ran from 1993 until 1996. LGAP I was intended to encourage and support efforts to decentralize responsibility, authority and resource management to the local government level. It paralleled similar initiatives in other Eastern European countries, and was part of USAID’s initial efforts in the region to improve local governance and provide assistance at the local level. ICMA provided technical assistance and training in public management practices to improve municipal services delivery and make better use of financial resources. The approach taken in this particular instance was to concentrate direct technical assistance on a limited number of cities that had expressed interest in participating.

3.2.3 Municipal Finance and Credit

The second was the Municipal Finance and Credit Program, carried out by the Urban Institute between 1996 and 1999 under the regional Housing and Urban Development Assistance in Central and Eastern Europe program. This project, or perhaps more aptly speaking, series of linked activities carried out by the Urban Institute, was undertaken in parallel with the Chemonics’ CEEPAA project (discussed below). The project was organized around a series of task orders, providing more flexibility in terms of the ability to respond quickly to perceived needs. It focused intensively at the central level of government, working over the course of its three years within the framework of a generally receptive coalition central government that had come to power in 1996 with the avowed intention of supporting the decentralization movement. The UI consultants worked intensively with 3 local and county councils (Timisoara, Pitesti and Constanta) to evaluate the fiscal capacity and develop financial models, then through a series of 3 workshops, models and conclusions were disseminated to a group of 15 selected Local and County Councils.

The project helped in the transition from the highly centralized system to decentralization and local autonomy in decision-making and control of finances and accountability. The technical assistance was oriented towards the reform of administrative rules and regulations, and the passage of key framework legislation to implement fiscal decentralization and increase creditworthiness of communities.

3.2.4 Table of USAID Local Government Programs in Romania ~ Management Notes

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
LGAP I	→										
Municipal Finance & Credit				→							
CEEPAA				→							
LGAP II							→				
GRASP										→	

Extended gap during 1994 following departure of US PSC and arrival of replacement

Gap between closing of CEEPAA and start of LGAP II

Extended gap during 2000 following departure of US PSC and arrival of next US PSC

Gap between closing of LAP II and effective start of GRASP with a permanent COP

3.2.5 Central and Eastern Europe Public Administration Assistance Project (CEEPAA)

The third centrally managed project was the Central and Eastern Europe Public Administration Assistance Project (CEEPAA), carried out by Chemonics between 1997 and 1999, in parallel with the Municipal Finance and Credit Program.

Originally a two-year project, CEEPAA was extended to a third year in 1998. Years 1 and 2 provided direct technical assistance to 10 local governments, through short-term assistance. Year 3 extended earlier work by disseminating best practices learned in the first two years, through a team of short-term expatriate advisors and Romanian counterparts trained in years 1 and 2.

3.2.6 Local Government Assistance Program (LGAP II)

Research Triangle Institute carried out the fourth USAID program, the Local Government Assistance Program (LGAP II), in two distinct parts between 1999 and 2002.

LGAP II was the first local government program to be directly contracted by the USAID mission in Romania. It was initially a two-year effort, but was extended for a third year, with a new scope of work following an evaluation conducted by USAID/EE. As the Urban Institute and Chemonics programs came to an end in 1999, LGAP II was intended to build upon the achievements of these programs. During the

initial two-year period, the program was directed almost exclusively toward local government associations and toward working with a broad array of local governments, providing general assistance in the form of workshops and study tours. Thus, the design of this project stressed mass training efforts with many cities – a broad, rather than focused, approach regarding the targets of intervention.

The 2000 elections resulted in a change in government. While decentralization remained a professed key objective of the new government, there were many changes at both the central and local levels in its interpretation and implementation. LGAP II included policy assistance, but it is clear from project documents and MSI interviews that this component was neglected during the first two years in favor of concentrating on other issues.

During the third year (which was delayed because of contracting issues and therefore reduced to an effective period of implementation of only about 8 months) the project's approach was modified to include more central-level policy work directed toward decentralization issues. This change in emphasis was also intended to lay a basis for follow-on work. In addition, the focus at the local level changed from the mass delivery approach to concentrate direct technical assistance to eight selected local authorities. The program for the first two years (1999-2000) was built around five components:

- Association development;
- Citizen Participation / Citizen Information;
- Budgeting and Public Management, including Information Technology; Municipal Finance and Credit; and
- Local Economic Development.

As noted above, this changed during the third year to an increased emphasis on policy issues and direct technical assistance to a relatively small number of selected cities.

3.2.7 Governance Reform and Sustainable Partnerships (GRASP)

The fifth, and current program, Governance Reform and Sustainable Partnerships (GRASP), began in late 2002, and is implemented by Development Alternatives, Incorporated.

GRASP is only now gathering momentum, having gotten off to a slow start because of staffing issues. Unfortunately, this resulted in a significant gap between the conclusion of LGAP II and the real start-up of GRASP, with a permanent chief of party.

Impressed perhaps with the success of a community oriented program that partnered Romanian entities with American community organizations, and also seeking to reduce USAID management burdens⁵⁸, GRASP represents a significant departure from USAID's approach to local government issues in the past. Although the project will address many of the same issues that have pre-occupied local government for the last ten years, it intends to incorporate a much greater degree of participation and planning by civil society at the local level to identify and then address the problems in a collaborative process guided by GRASP specialists.

3.2.8 Other Programs and Conclusions concerning USAID Programs

In addition to these five programs, there has been one other noteworthy activity that has had significant impacts and has provided another model for assistance to local governments. This was the IRIS (Institutional Reform and the Informal Sector) project to reduce the burden of business regulations at the

⁵⁸ Interviews with USAID/Romania staff members

local level. The IRIS impact in one town, Giurgiu, is discussed below in Annex C, along with USAID activities in two other towns, Baia Mare and Focsani, both places in which there had been extensive USAID assistance.

3.3 Conclusion

One characteristic of the Romania local government program is that it is generally not lacking for variety. Every major type of intervention component has been at least present in the program at some point, and many components have been carried out through varying designs and in complementary, parallel fashion (as in the localized emphasis of Chemonics along with the policy focus of the Urban Institute's project). This allows the MSI team opportunities for "within-country" comparisons of implementation and impact not available in all country programs.

4.0 Key Findings

4.1 Design and Implementation Assumptions

In this section, we discuss explicit and implicit assumptions applied in the Romania local government program. As the MSI assessment team has proceeded in its analysis of the program's design decisions and the difference these have made for effective assistance, we have recognized the importance of understanding key design and implementation assumptions as a prelude to identifying which program approaches or techniques may have elicited more impressive impact.

In the case of USAID's local government program in Romania, the MSI team has observed USAID (and, in many instances, USAID program implementers, Romanian partners and other international donor organizations as well) making the assumptions described below. Before presenting this discussion, we would like to offer these introductory comments:

- First, the reader is advised to note carefully that these assumptions are not methodological principles undergirding the MSI assessment, but instead are key “originating points,” if you will, for the design and execution of the USAID programs covered in this assessment.
- These assumptions have been distilled from the MSI team's analysis of interviews and program documents, utilizing a comparison of the logic as expressed in these sources, supported by cross-validation among multiple sources. Since program assumptions come in both *de jure* and *de facto* forms (i.e., expressed in program design documents as well as being evident through what the program “looks like” in subsequent design revisions and implementation), the team did not limit itself to formal and intended assumptions.
- Finally, these assumptions and their accompanying analyses are presented in the following order only to facilitate presentation; the MSI team has not attempted to prioritize these assumptions in order of their importance or weight in our overall analysis.

Key design assumptions may be grouped into four main themes:

- Effectiveness of previous USAID assistance;
- Potential for making a nation-wide impact on local government management;
- Readiness of local governments to adopt new practices; and
- Technical capacity of local governments and local organizations.

4.1.1 Assumption Theme # 1: Effectiveness of previous USAID assistance

- Assumption *Program impact can be sustained, even through project terminations and other administrative changes in the program.*

Analysis: This assumption is perhaps most evident in the history of policy interventions in the local government program: With some exceptions, such interventions ended after passage of the Law on Local Public Finance and USAID's subsequent successful dissemination of the content of the law. But many local officials, officials in the Ministry of Public Finance and the Ministry of Public Administration, and individuals involved with implementing several USAID-funded local government projects told the MSI team that there has been and continues to be a need for sustained communication and dialogue with the central government on decentralization issues.

In addition, all the projects we have analyzed in this assessment featured an unintended “hurry up and end” aspect, in which assistance would begin flowing to individuals, LGUs, and other institutions, gather steam, and then (sometimes quite abruptly) stop, due to the arrival of the calendar date for project termination. To some extent this may be due to unrealistic expectations on USAID’s part regarding how much can be accomplished within a project’s time period, and of course the responsiveness of local individuals and institutions to the interventions is not always going to meet even well-grounded design expectations. But in the case of the Romania LG program, “stop and go” appears to have carried notable costs in terms of operational inefficiencies as well as possible feelings of ill will among program participants.

- Assumption *The (perceived) weaknesses of the most recent project need to be carefully avoided.*

Analysis: With this assumption, what was seen by those involved in USAID program design as weak or overdone in the most recent project tended to be assiduously avoided in the new project. MSI observes this to have been true, even though there may still be value in the existing techniques or approaches. We do note that the history of the program does feature some well-informed adjustments to approach; the design of the final year of LGAP 2 (2001-2002) serves as an example. More broadly, however, the historical switches in emphasis between generalized, mass training and more focused training linked with on-site technical assistance illustrate how this assumption was put into play. At times, the central focus of the program (e.g., local-level technical assistance versus policy work with the central government) seemed to be determined simply on the basis of the professional experience and preferences held by the USAID CTO. More recently, USAID’s skepticism concerning the value of study tours as a training mode (extensively used in earlier projects) may be an application of this assumption.⁵⁹

- Assumption: *USAID’s knowledge of local government needs is adequate to support development of the right kinds of assistance at the right time.*

Analysis: While USAID clearly has been attentive to ongoing developments and expressed needs in local government in Romania, USAID probably overestimated the extent and relevance of its knowledge in some program areas. For example, the need for more customized TA and training was explicitly recognized in the EE LG program assessment of May 2001; focused and timely monitoring or assessments likely would have informed USAID of this need earlier on. This was the only “external” local government assessment (i.e., conducted by a group not based in USAID/Romania) that the MSI team was able to identify in program documentation.

Gaps in the continuity of USAID CTO personnel, as well as timing gaps among implementers, encouraged wide variation of design and implementation approaches without systematic learning and assessments to support strategic focus on results.⁶⁰

4.1.2 Assumption Theme # 2: Readiness of local governments to adopt new practices

- Assumption: *The national policy and administrative environment in Romania is sufficiently supportive so as not to significantly inhibit program efforts at the local level.*

⁵⁹ MSI interviews with USAID/Romania technical staff are among the sources for this assumption. The team notes that while study tours, like many forms of training, clearly can be wasteful or ineffective, our interviews with Romanians in the central government, LGUs and the private sector suggest that study tour experiences, when carefully designed, can provide lasting contribution to local government improvements.

⁶⁰ Interviews with USAID technical staff and project Chiefs of Party.

Analysis: The relationship of policy reform to country political and administrative context and the overall mix of USAID interventions has received varied emphasis across years and projects, with at least one notable success but possibly some opportunities missed. What would have happened if policy interventions had been sustained after 2000? Would local governments and other targeted institutions have been enabled to respond to assistance more effectively? The MSI team will not speculate on this point, but as we note below in our discussion of program impacts it does appear that USAID’s shift to emphasis on local-level interventions has left a regrettable gap identified by sources in a variety of institutional contexts.

MSI did find, in talking with officials in several LGUs, that in the period shortly after the 2000 elections, when the new coalition began to recentralize in the view of some, that the fiscal situation for many of *judets* and municipalities became difficult, especially in light of newly created unfunded mandates. LGUs therefore experienced a lack of balance between the national policy framework and what the LGAP 2 project was doing at the local level.

In recent years, the policy arena has not been totally ignored. Note that “a continuing effort to advise and assist the GOR on issues of decentralization and policies that affect local governments” was one of the guiding principles and main areas of activity included in the RTI LGAP year 3 Statement of Work. Given the limited calendar period available for this work, only modest accomplishments were made (i.e., production of policy analysis papers, and seminars and roundtables). The current GRASP project includes a “Policy Reform/Bright Ideas” component.

- Assumption: *Citizen participation is a key ingredient of enhancing the responsiveness and management capacity of local governments.*

Analysis: Throughout the history of the program, and especially in recent years, project statements of work, the USAID Country Strategic Plan, and persons involved in the program’s design or implementation have noted the critical roles played by citizen input to local decision making. At the same time, results reports from implementing organizations, as well as comments to the MSI team from project staff, representatives of civil society organizations, and city officials have shown that successfully promoting sustained public dialogue at the local level in Romania has not proved simple or easy. Unemployment and other economic conditions often have not proved encouraging for citizens to invest personal time in advisory groups or budget hearings; the GOR has not displayed a consistently supportive attitude towards local participation; public corruption at all levels has a chilling effect on participation; and the fiscal and human capacity limitations faced by LGUs may offer limited reward for active participation. In spite of constraints such as these, there have been areas of success in the program. The institutionalization of the Citizen Information Centers, for example, was in large part a function of USAID efforts. In the final analysis, however, the key logical connection present in the Mission’s local government strategy – that strengthened organizational capacity in the LGUs, when combined with enhanced citizen participation, will deliver improved service delivery and greater citizen satisfaction at the local level – remains to be validated by widely observable results in the field. This logic is widely held, of course (within the Romania program and beyond), and MSI is not contending here that it is an inappropriate foundation for a USAID program. We do note that the content and extensiveness of citizen participation to date appear to have distinct limits.

4.1.3 Assumption Theme # 3: Capacity of local governments to adopt new practices and of local organizations to provide assistance

- Assumption *LGUs have enough experience to absorb TA and training in an effective and efficient manner.*

Analysis: While there clearly have been successes in LGU acquisition and use of innovative practices, there has also been an observed tendency to overestimate cities' absorptive capacity. For example, USAID sponsored LED assistance in 1996 and 1997, with the primary product being an LED workbook that was received well by those exposed to it. But more generally, cities and counties were lacking the legal authorities to carry out economic development programs, and at the time fiscal decentralization was not well enough developed to allow program space for LGUs to initiate or carry out LED plans.⁶¹

In the late 1990s, USAID assumed that LGUs could adopt program based budgeting at a reasonably rapid pace, but did not adequately account for fact that LGUs would not have standard integrated budget and accounting systems. In addition, the GOR Ministry of Finance has not recognized, in practice, the form of PBB applied by LGUs. This resulted in what for the LGUs has simply been the opportunity to go to a lot of extra budget preparation work, with very little payoff. USAID/Romania's R4 for FY 2003, summarizing results through FY 2000, reported 12 LGUs having prepared program budgets in 2000, against a performance target of 50.

In another example, the LGAP 2 SOW focused on locally based lending institutions as the primary source of funds for local economic development, but experience showed that local lending sources for LED did not materialize as expected.⁶²

Assumptions concerning local absorptive capacity may were not especially clear in program design until the development of GRASP. GRASP's Component I is "Local Initiatives," centered upon clusters of local governments and civil society organizations. One major mode of assistance to the clusters is grants to these clusters, made available to CSOs through a public tender process for projects that assist communities in implementing locally developed Cluster Improvement Plans. Under this model, collaboration at the local (especially *judet*) level is expected to build upon at least some minimal foundation of institutional capacity for planning and implementation.⁶³

- Assumption: *Sustainability at local and national levels will take care of itself.*

Analysis: Sustainability generally has been present in design discussions and SOWs, but it has not received the central, concerted attention it deserves. Experience with policy reform and association development features some positive results, but overall program sustainability cannot be achieved through occasional successes in two program areas. Continuous attention to efforts to support sustainability was lost at times, as USAID switched implementing organizations (interventions in municipal creditworthiness are an example). Cost-sharing has gradually but increasingly become an expected technique for encouraging sustainability. And the current project, GRASP, may prove an exception, given its heavy reliance on locally based planning and operational flexibility.

- Assumption: *Similar modes and levels of training and TA will be relevant and useful to a wide variety of targeted participants.*

Analysis: Plenty of training and technical assistance has been provided, but interviews with several sources suggest that in some subject areas (such as budgeting and financial management) training needs to "step up a notch" for LGUs and individuals who have acquired the basics. Given the diversity of LGU capacities, both training and TA need to be highly customized to needs of targeted groups. As program experience matured (e.g., by 2000) the assumption that all LGUs needed similar types and levels of assistance become increasingly out of date. By time of 3rd year of LGAP [2001-2002], the program had

⁶¹ LGAP II Statement of Work, p. 11.

⁶² EE assessment of LGAP II, May 2001, p. 7.

⁶³ GRASP program description and interviews with GRASP technical staff.

recognized that there was a need to differentiate, as feasible, between LGUs and individuals relatively new to assistance and those who were further along and more sophisticated. Perhaps the cluster (*judet*) format utilized by GRASP will facilitate such customization.

- Assumption: *Participation by Romanian LGUs and local experts is not needed for developing program designs.*

Analysis: With some exceptions, LGUs and local experts tended not to be involved in program design. Cities tended to be approached with a menu of possible components that could be implemented. USAID and implementers determined the content of the menu itself. This lack of LGU “ownership” almost certainly reduced commitment and adversely affected beneficial long-term impact. In relatively recent projects, such as year three of LGAP, implementation (and thus micro-design) has featured greater Romanian involvement.⁶⁴

It is worth noting, more broadly, that with regard to delivery of training and assistance (in contrast to its design) Romanian institutions and individuals have come, over the last few years, to play a major role in the USAID local government program. This form of “Romanianization” is a clear priority for USAID and the implementing organizations for recent projects such as LGAP and GRASP. This effort in local engagement and human capacity building is a good sign for sustainability of program results.

4.1.4. Assumption Theme # 4: Potential for making a nationwide impact on local government management

- Assumption: *Dissemination of relevant technical information and lessons from experience will largely take care of itself.*

Analysis: Dissemination has been featured in the program, but historically it has received considerably less attention than needed. There may have been too much reliance on the Regional Training Centers, with capacity and mandate for dissemination but limited resources and a context of GOR priorities, to take on this function. Without assertive dissemination, it becomes difficult to build or improve local expertise, thus undermining overall program sustainability. GRASP features a “knowledge sharing” component which supports regional learning networks, a Bright Ideas Clearinghouse, a Bright Ideas Awards program, and a Bright Ideas Grants program to encourage CSOs “to become the engine for disseminating innovative local practices, particularly in the area of local government – CSO cooperation” through cost-sharing. Given the relatively decentralized, county-based structure of GRASP local interventions, dissemination of substantive innovations relevant to diverse local needs arguably involves a high-risk (but possibly high-payoff) program investment.

4.1.5 Summary of Assumptions

As we noted at the introduction to this section, the MSI team has derived these assumptions from documentary analysis and interviews, combined with logical comparisons of formally stated assumptions and assumptions in practice. Through this approach, the assumptions have been identified, with the intent of drawing attention to program issues that could benefit from closer or more refined USAID attention. From the descriptions above, we may summarize these issues as:

- Continuity of assistance across time, implementers, CTOs, etc.;
- Adequate attention to sustainability;

⁶⁴ LGAP II Year 3 Statement of Work.

- “Goodness-of-fit” of training and assistance to needs of targeted groups;
- Understanding of LGU absorptive capacity;
- The role of dissemination in promoting sustainable results at a nationwide level;
- Sustained attention to progress in decentralization policy in Romania, and USAID’s role in related policy discussions;
- Appropriate levels and types of involvement of local organizations in program design and implementation; and
- Appropriate utilization of external program assessments for validating and adjusting major directions of the program.

The following section presents MSI’s findings concerning program impact. The issues listed above serve as contextual elements for understanding some of the reasons behind the contours of successes and challenges in the USAID/Romania local government program.

4.2 Program Impact

4.2.1 Dimensions of Impact

As indicated earlier, USAID assistance was packaged in a number of different ways, with some projects managed from USAID/Bucharest and some managed from AID/Washington. This duality resulted from the evolving structure of the Europe and Eurasia Bureau at the time, and the way in which responsibilities were divided for local government activities in Eastern Europe between Missions and the Bureau. The MSI team cannot derive any generalization about the relationship of these different management arrangements and program impact, since the project units are too few for drawing solid conclusions, and variation in impact appears related to factors other than the locus of USAID management. The locus of management probably is a significant issue, however, for operational decision making within USAID and with its institutional partners.

An additional issue, more directly attached to program impact, is that of program continuity and focus. When we look at the Romania program at the “forest” or macro view, the history clearly is one of relative discontinuity in the early, exploratory years, but continued exploration and rotation of substantive and geographical focus – from one technical area to another, from one city or town to another, from one group of customers and partners to another. This is reflective, we think, of a variety of historical developments, including political changes in country and shifts in preferred technical emphasis in USAID program management. But the shifting of emphasis and focus is prominent historically in the program, and we suggest it has resulted in some successes but some missed opportunities as well.

Related to this is the fact that over less than ten years, between 1993 and 2002, there have been five major contractors involved in USAID’s local government programs. The programs have been distinct and separate, with limited overlap, and in a number of instances the MSI team observed that the distinctness did result in discontinuities in assistance to particular cities. The result in some instances, according to city officials and other observers, has been a reduction in the effectiveness of the assistance provided.

4.2.2 Nationwide Policy Impact

Policy reform considerations have been present in almost every activity undertaken by USAID, in one form or another. Activities in Romania focused either in detail at the local level, through pilot projects and training, or more broadly at the central level. Roughly speaking, policy efforts addressed condominium housing, local government public finance, and decentralization issues.

USAID's most effective policy reform activity, readily recognized as such by most of our interview sources, concerned its assistance to the Government of Romania to reform local government public finance. Beginning in 1997, USAID undertook a highly intensive effort to work with the Ministry of Finance, the Ministry of Public Administration, the emerging local government associations and local authorities to support reform of the local government financial structure. The timing was right on target. A new national government had been elected in 1996 – one that was more committed to decentralization than the previous government. Empowering local authorities financially was of paramount importance if decentralization was going to proceed. Using task orders on an existing regional project, USAID was able to react quickly to this new situation and provide assistance in a timely manner. Time after time, the assessment team was told that the technical assistance provided in this activity was of the highest quality. The same person, who was highly respected by his Romanian colleagues on both the professional and personal levels and who took the time to thoroughly understand the complexities of the situations that he was dealing with, gave assistance over an extended period of time. Subsequent to the passage of the new legislation on local government public finance, a carefully designed training program to explain the new law to GOR and local officials was organized and successfully carried out. The impact of this legislation was overwhelming, changing the very direction of decentralization as Romania had known it.

Unfortunately, this very successful effort was not followed up by a continuation of the consistent attention required to help the decentralization process stay focused and reasonably on track. Of course, this is a very complex issue that was influenced by a myriad of circumstances, and it would be unfair to believe that USAID alone could have made the difference in events. Nevertheless, there was a slackening of USAID attention to the decentralization issues and to the follow-up to the new finance legislation. Arguably, this was a matter, not so much of USAID inattention, as of a shift in the Mission's relative emphasis in favor of localized interventions of various kinds. Nevertheless, this evolution was unfortunate, because the USAID policy assistance "investment" had come at the right time and been of high quality. As a result, it had great impact and was the kind of assistance that, had it been continued, might have resulted in further advances. Instead, the USAID focus turned to favor intervention in targeted cities, with little expectation that the impact of these programs would make a difference on a national scale.⁶⁵

Coincidental with this reduced attention or focus by USAID and its contractors on policy issues were a number of other developments. In the late 1990s and early in the new century, forthcoming accession by Romania to the European Union became an accepted fact, prominent in the minds of governmental leadership, and therefore the kind of decentralization that was going to be put in place depended to a great degree on what would be acceptable to the EU. Thus, accession to the EU became a driver of the decentralization process. In addition, the 2000 elections brought another change of government. While the new government professed its support for decentralization, it soon became clear that it did not have the same kind of decentralization in mind as had the previous government. Observers feared that what was really going on was a hidden recentralization process. This made itself felt in a number of ways, but perhaps most pervasively in the familiar area of unfunded responsibilities mandated to the local governments to carry out.

Under the LGAP II project, a number of policy analysis documents were prepared, but the impact of these documents has not been clear, certainly not in the way that the USAID work on local government finance was clear. Legislation passed in 2000, for example, required the government to consult with local authorities concerning all pending legislation that would affect local governments. LGAP II provided a venue for these discussions, because of its extensive contacts and support for local government associations and because of the policy papers that it was providing. However, according to reports,

⁶⁵ Interviews with USAID technical staff, and analysis of LG program Statements of Work.

USAID’s voice at this venue was largely passive. GRASP has continued to host these discussions, but it remains to be seen whether this venue will become a vehicle for transmitting USAID’s views on decentralization issues.

4.2.3 Impact on Project Cities

USAID assistance focused in a variety of ways on a great number of towns and cities in Romania during the ten-year period to date. This is summarized in the following table.

Excluding GRASP and IRIS, USAID provided direct technical assistance to 24 cities and many more additional cities and towns through workshops and other training events.

As indicated, there have been different basic approaches taken in Romania by USAID projects. At the risk of generalization and simplification, the first approach – that of undertaking widespread training in which great numbers of cities participated followed by more focused technical assistance to relatively fewer cities – was followed in the Chemonics CEEPAA program from 1996 to 1999 and in the RTI LGAP II program from 1999 to 2002. The opposite approach was followed in the ICMA LGAP I program from 1993 to 1996, in which focused technical assistance was directed to a small number of cities, and then workshops were utilized to attempt to make the results known. The Urban Institute Municipal Finance Program was different in nature because it focused on broader policy issues, and thus does not fit into this dichotomy. Once its major policy output had been accomplished, however, the project did make the results known through a series of broadly attended workshops intended to acquaint towns with the new Local Public Finance Law.

LGAP I

The approach taken in this particular instance was to concentrate direct technical assistance on a limited number of cities that had expressed interest in participating. The program designed, developed and implemented pilot projects in six Romanian cities to demonstrate innovations in five areas.

CEEPAA

Years 1 and 2 provided direct technical assistance to 10 local governments, through short-term assistance. Year 3 extended earlier work by disseminating best practices learned in the first two years, through training led by a team of short-term expatriate advisors and Romanian counterparts trained in years 1 and 2.

Municipal Finance and Credit

This program initially assessed financial conditions in 8 local authorities and the focused on the preparation of new legislation. Subsequent to passage of the new law on local public finance, training was provided to a large number of localities.

LGAP II

During the initial two-year period, the program was directed almost exclusively toward local government associations and toward working with a broad array of local governments, providing general assistance in the form of workshops and study tours. Thus, the design of this project stressed mass training efforts with many cities, a broad, rather than focused, approach. In the third year, the focus at the local level changed to concentrate direct technical assistance to eight selected local authorities.

GRASP

GRASP is only just beginning. Its approach has been to divide the project into three phases over its five-year length, with approximately 14 or 15 judets or counties being the focus in each phase.

IRIS

IRIS consisted of an innovative competition approach, in which cities were invited to participate in a competition to achieve certain goals in deregulation of local businesses. The results were eventually brought to the national level through legislation.

The MSI team is not able to say that one approach has been clearly more effective than another. There are very good reasons in some situations for starting more generally and then proceeding to the specific, as well as equally valid reasons for an opposite approach. What seemed clear, and will be discussed in detail below, is that it is important for the correct type of approach to be applied in situations that are appropriate for it. Thus, for example, a training event that is by its nature more general will not be appropriate for a city whose level of experience and competence exceeds the nature and substance of the material being presented. The MSI team found that this process of matching program interventions to local needs was not always followed, with a resulting loss of effectiveness and resources.

4.2.4 Focus on Three Towns

Annex C provides detail concerning the impact of different approaches in three specific towns, Giurgiu, Baia Mare, and Focsani. Giurgiu received assistance through the IRIS program, while the other two received assistance over a number of years from several of the USAID local government programs. The responses elicited by the MSI team in these towns are consistent with responses received in other towns and cities by the team. While not conclusive, the team believes that there is a high degree of validity in the observations by local officials in these places.

- *Example: Program Based Budgeting*

With regard to program based budgeting, the team found that the impact of the assistance was quite variable and that this variability of impact was similar in almost all of the towns visited. The generalized assistance that was received through training (as opposed to hands-on technical assistance) was found by most towns not to be particularly useful. Because what was being attempted was not within the guidelines for budgeting laid down by the Ministry of Finance, and because the MoF was practicing a relatively arcane, complex form of PBB, it was clear that to be useful, effective, and put into use by the towns, program based budgeting would have to surmount a high initial hurdle of usefulness. In most towns, it did not.

- *Example: Citizen Participation*

With regard to citizen participation, it is important to distinguish between two kinds of participation. The first concerns participation of citizens in the affairs of their town through involvement in meetings and committees and through a dialogue with the elected councilors. While the team believes that this was not widely achieved through the USAID programs, we also acknowledge that participation is far from easy to achieve, even in relatively more sophisticated and democratic countries. To expect to achieve this in Romania in a short period, given its recent history, would be improbable. In spite of this, the team was given glimpses of success in a number of different towns, including the three referred to in Annex C. Each can be directly related to USAID programs. In Giurgiu, after going on a USAID sponsored study tour to Poland, the town council voted to establish specific geographical districts for each councilor to represent, resulting in a departure from the earlier system of all councilors representing the entire town. As a result, councilors found themselves more accountable to their constituencies. In Baia Mare, the Mayor affirmed that their experience with the concepts of citizen participation fostered through the CEEPAA program had led them to establish a number of interactive public committees to draw in their residents. In Focsani the Mayor said that every one of the programs that the city participated in as a part of the LGAP II program had been imbued with the concepts of citizen participation and that this had provided the town with a solid basis upon which to build.

The second type of citizen participation concerns the fostering of citizen information centers. By the mid-1990s, it was increasingly clear that local governments needed to be able to respond to the ordinary queries of residents. There was little transparency in the actions of many of the local authorities, which led to frustrations. There was also little information on how to go about getting the simplest of service concerns or needs addressed. There were widespread accusations of corruption as a result. One of the

answers lay in the creation of the citizen information center (CIC) – a separate office, usually at the entrance of the local authority building, at which someone could have his or her questions answered and could also be directed to the correct department and told about the correct procedures. This was a simple, but vital, innovation in Romania. There are now more than 50 CICs in Romania and this has clearly been a huge success. In town after town that the MSI team visited, we were shown the CIC, all of them attributable directly or indirectly to USAID.⁶⁶

In addition to the creation of CICs, an association of CICs was also established. This association has turned out to be an enduring association that provides its members and even other cities that are not members with information on how to be more effective. The assessment team was repeatedly told of instances of towns consulting the association for assistance in methods to improve citizen information and access.

The MSI team concluded, as a result of its observations, that citizen participation activities have, overall, had a positive impact. The team is aware that the documentation prepared for the GRASP project indicated a fair measure of disappointment with the progress made in the country as a whole concerning citizen participation. While not disputing this, the team does believe, based on its own observations that progress is being made. As in many places, authentic citizen dialogue with city leadership can be elusive. Public hearings on budgets may be taking place, for example, but meaningful opportunities for citizen questions and input may not be present.⁶⁷

4.2.5 Municipal Credit and Finance

Municipal credit and finance has been a recurring theme in each of the USAID projects. Subject matter covered has included the highly successful effort to transform the local government finance law, described above, which resulted in a fundamental shift toward greater decentralization. However, it also includes the rather mediocre results obtained with program-based budgeting, also described above, as well as the efforts to connect local authorities with private lenders to increase their resources.

Intensive work with several cities and in collaboration with the EBRD resulted in the preparation of project documents that led to both sovereign and non-sovereign loans being made by the private sector, early in USAID's project experience. In LGAP II, RTI helped to establish an office in collaboration with the Romanian Bankers Association that was intended to assist local governments in their efforts to secure loans from private banks. However, with the close of the project came the effective close of this office, signaling that this was a donor driven idea that has not thus far proved sustainable.

It seems clear to the MSI team that working at both ends of the municipal finance continuum has not had the impacts desired. The pay-offs from the policy work have been enormous, in spite of the continuing issues (some of which, at least, can be plausibly attributed to USAID discontinuing its intensive policy collaboration). The pay-offs from the other types of interventions have been very mixed.

The fundamental reasons for success in this area seem to have been a willing client, the central government, in the case of the policy work, coupled with a first class contractor. The reasons for the relative lack of success of the more technical work in program based budgeting have to do with the quality of the contractors, the relative lack of demand from towns for the product being trained in because of the feeling that it was not appropriate for the technical stage that many of the towns had already

⁶⁶ The Soros Foundation was also active in supporting the CICs, especially in the early period of their development.

⁶⁷ Interviews in one southern Romanian city, for example, elicited complaints from a representative of an NGO concerning the "top-down" communication methods applied at local budget hearings.

reached, and the structural impediment that PBB was not something required by the Ministry of Finance, but was instead simply additional work for most towns that did not have a clear benefit.

4.2.6 Association Development

Association development has been an important theme for USAID since the mid-1990s and the impact of the growth of associations, both for local authorities and for professional staff, cannot be underestimated. USAID deserves considerable credit for this, although the picture has become more mixed since the 2000 elections resulted in the domination of one political party and the “migration” of many LGU leaders into the ruling party.

Work with associations began somewhat haltingly under the CEEPAA program in 1996. Initial efforts to work with the Association of Municipalities did not elicit a favorable response because another donor already heavily supported that association. Toward the conclusion of that project, however, USAID began to work directly with some of the other associations, notably the Association of Citizen Information Centers (NACIC). This collaboration with a substantively focused association proved quite successful in helping to expand this movement to many more cities.

The most notable successes, however, were to come under LGAP II. Associations had grown stronger by the late 1990s, under the encouragement of a coalition central government strongly committed to decentralization accompanied by increasing institutional strength of the towns themselves. This culminated in the passage of legislation that has made it mandatory for local governments to be consulted before the passage of any legislation that directly affects local government. The way in which this process has been carried out is for the government to consult the associations. Under LGAP II, considerable assistance was provided for the establishment of the FALR (Federation of Local Authorities of Romania) in 2001. Study tours and direct technical assistance helped the FALR to quickly become the government’s interlocutor, and this has continued into 2003. LGAP II provided the venue for the meetings to take place and gave the project the opportunity to provide all participants in these meetings with policy documents. This practice is being continued under the GRASP project.

Another salutary aspect of the growth of associations has been their ability to take the ideas that have been promoted in the various USAID pilot projects and to share these with all members. This has been particularly useful, the assessment team was told, in the cases of the professional associations and the association for citizen information centers (which has been particularly active, with USAID support, in spreading the techniques for establishing these very useful centers).

There are, of course, negatives mixed with this generally positive picture. These mostly have to do with the political nature of associations, which has been an issue in other countries in Eastern Europe as well. Following the 2000 elections, in which the party that had been in power before 1996 came back into power, a number of mayors defected from their parties to become members of the new ruling party. In addition, following the elections, 33 of the 41 counties (*judet*) were members of the ruling political party. Inevitably, this had an impact on the associations and on the FALR. Observers have said the impacts of these political developments have been to dilute the decentralization dialogue and to freeze out the views of the opposition parties. The muted character of the decentralization dialogue is perhaps the more significant result, as issues that might have been debated openly are sometimes decided behind closed party doors. Thus it is not clear at this stage that FALR can adequately present the case for real decentralization vis-à-vis those who might be opposed to further reform, given the nearly one-party nature of the Federation and the questions surrounding whether this party in power, technically capable as its members may be, is truly in favor of decentralization.

It is worth mentioning that the newly formed (in 2002) Association of Mayors from Romanian Big Cities has not been invited to participate in any of the events concerning the life of local administration. It is no coincidence that the mayors of these cities (Bucurest, Brasov, Bistrita, Alba Iulia, Cluj, Timisoara, Deva, Giurgiu) are not members of the ruling party, and that the population of these cities represents more than 50% of the total population of Romanian municipalities. Another important aspect with regard to this association is that it is recognized as a dialogue partner by European structures (e.g. the Congress of Local Authorities). They participate in international meetings, articulate policy positions, and so on, but not in Romania, only abroad. The tendency for this small but significant group to be marginalized from decentralization policy discussions therefore appears not to bode well for the future of well informed, broadly legitimated policy reform.

A second observation concerns the opportunity that USAID now has as the host of the venue for the meetings between the associations and the government concerning issues that affect the local level governments. This presents a very important resource that can either be developed or left to its own devices, as the team was told it has for the past couple of years. Continuing contact with the associations in a directed manner could lead to significant influence on the move for decentralization and on issues of governance. USAID could also use its position to attempt to secure the participation of all associations, including representatives from the largest towns. USAID has helped a wide range of associations in many other countries in Eastern Europe, even those that represented opposition parties. Such assistance does carry with it various technical and political risks, of course, but it should be kept in mind that choosing to remain an external onlooker to critical policy discussions also involves risks.

A third, final, observation concerns the sustainability of the FALR, which remains an open question. The MSI team did not have the opportunity to examine this issue in detail, but believes it to be significant, since in the current policy constellation the Federation plays a central role.

4.2.7 Spread Effect to Other Cities

The MSI team found that there have been numerous efforts, successful and not so successful, to ensure that the lessons learned and/or basic results in each program are made known or spread to other towns. USAID's continuous presence since 1993 in this field has helped in this effort and its continuation with GRASP until 2007, with a design that is expressly intended to cover the entire country could, if properly capitalized upon, result in very effective spread effects.

- **Local Government Public Finance Law**

The Local Government Public Finance Law, passed in 1998, is an excellent example of spread effect, inherent, if successful, in the use of the legislative mechanism to accomplish widespread change. The passage of this law meant that every local government in Romania would be impacted. USAID contributed not only to its passage but also to the subsequent successful series of training events to explain the new law.

- **IRIS**

The IRIS program in Giurgiu and other towns also led to the passage of legislation that has improved the climate for commercial investments in towns. The positive role played by the U.S. Ambassador in this effort should also be noted because this model is different from the ordinary technical assistance model. It was not clear to the MSI team that the model as employed by USAID contemplated the legislative component. This may have been an unintended, but nevertheless positive, consequence.

- **Associations**

Since the mid-1990s, USAID has worked with and supported the growth of associations of local governments and local government professionals. This has been, as described above, one of the real

success stories of USAID assistance. However, the MSI team notes from its experiences in other countries and in Romania that working with associations is not an easy task. Normally, the objectives of these organizations in their early stages do not necessarily present fertile ground for development assistance efforts. This is because the goals of these organizations are usually far more politically grounded than developmental grounded, as they struggle to solidify the place of local government in the overall structure of government. In Romania, the picture has been mixed, but positive, with regard to spreading the impact of USAID interventions. The association concerned with citizen participation centers has done a superb job in spreading the impact of the CICs. Other professional associations, such as that of the local government economic directors have also played a very positive role in spreading the word and the knowledge of improved budgeting techniques. A less satisfactory picture (described previously) emerges at the national level in connection with the work of the associations concerning structuring decentralization. The lessons that USAID has sought to impart concerning effective decentralization have not been so readily accepted in the face of political realities that seem to embrace exclusion of minority parties rather than inclusion.

- Training

Training has been a part of every USAID project. The MSI team has concluded however, that training has had only mixed results. As discussed earlier, when the level of training corresponded with the real needs of a particular town, or when the training was of a more informational nature, such as to inform towns about the new local public finance law, the results have been very positive. Where this has not been the case, towns have pointed out to the MSI team, in diplomatic terms, that attendance at these training events was a waste of time.

In many instances of training, efforts were made to work with the government's regional training centers. By and large, these efforts were not successful, in terms of establishing a sustainable training operation that would continue to impart the type of training that would be concrete and useful to the local level participants. In LGAP II, RTI was specifically tasked during the third year of the program with development of a plan to make the RTCs sustainable. The MSI team was unable to ascertain whether the project had been able to achieve this, but from comments made by numerous city informants, the usefulness of training at the RTCs was not particularly valued.

- Sustainability of Impact

As we have noted in earlier sections of this report, ensuring the sustainability of results has been a major weakness in the LG program, historically speaking. The MSI team believes, however, that there are a number of factors that militate in favor of the sustainability of the approaches taken by USAID. Making use of the legislative process and helping to create and support associations has helped to foster and encourage structures that will continue over the years to address the issues that have been raised by USAID and others. This must also be viewed with some caution, however, because the messages that these organizations may choose to deliver may depart from the messages that USAID might prefer to see.

A second factor that may be helpful in the promotion of sustainability is the durability of the commitment of USAID to assistance in this sector. Although the effectiveness of this commitment has been diluted at times because of the changes in contractors, the variability of the quality of assistance provided, and the relative short-term nature of each individual project, the overall fact remains that USAID has been present over the years and retains a good measure of respect within Romania. The GRASP project now offers another opportunity, over a relatively longer period, making use of one contractor, to further the goal of sustainability of impact.

In order to increase the likelihood of sustainability, the team believes that it would be useful to give thought to the creation of a corpus of best practices that can be disseminated to all actors within the local government constellation in Romania through the efforts of an organization or several organizations that

will continue this work after the departure of USAID. This might well be one of the associations or another NGO or academic institution that would have its own interests in carrying forward this work, rather than it being donor driven.

As accession to the EU looms on the Romanian scene, it will be an ever-increasing driver toward the changes desired. USAID can serve an enormously useful function through its recognition of this factor and by taking advantage of the opportunities that this offers for sustainability.

4.3 Discussion of Basic Issues

In this section, we address linkages between key findings of this assessment and the issues identified as the assessment's goals in the Statement of Work.

These issues, addressed in detail below, include:

1. The quality and appropriateness of the approaches and techniques developed and delivered;
2. The role of local organizations in the development of approaches and techniques;
3. The demand for the techniques and approaches developed; and
4. The role played by the political environment on the development of approaches and techniques for local governments.

4.3.1 Quality and appropriateness of approaches and techniques developed and delivered

The *types of interventions* (the local government issues addressed, and components and technical or pedagogical approaches taken within them) were in large part appropriate, with a few exceptions (such as the de-emphasis of policy work after 2000), as we have noted. The basic technical tools applied in the projects were, at first blush at least, the ones to be using – before one considers local absorptive capacity, or the expected impact on how a city works, spread effect of innovations to other cities or national-level changes that might be attributable to the interventions. The changing country environment and discontinuities in the pattern of USAID assistance were more important than the types of interventions or the tools used in determining impact.

A *mix of approaches* seemed to work best: Direct technical assistance to cities, plus study tours, plus on-site and traditional training seems to have enhanced the likelihood that meaningful innovations would be embraced by a city and would stick around after the assistance was completed. Grouping trainees of various professional levels and areas of expertise seemed to enhance sustained learning and networking. Training clearly seemed optimized when substantively linked with direct TA.⁶⁸

Using multiple contractors at the same time, particularly in the case of the parallel implementation of the Chemonics and Urban Institute projects, appears, from a technical standpoint at least to have been successful, but with managerial implications. Note that these two projects, as we mentioned earlier, featured distinctly different but complementary components, with some overlap in their respective sets of Romanian counterparts. Perhaps because the two projects could proceed toward their objectives without heavy coordination, there was no significant “stepping on toes” or shrinking from contract

⁶⁸ Interviews with city and association officials. We note that different interpretations are possible. The draft EE training assessment, for example, is more agnostic than is this assessment concerning the value of linking TA with training in the Romania case.

responsibilities. USAID was able to cope with the “burden” of managing two projects, possibly because of the availability of oversight staff in Washington and the relatively smooth way in which both of these projects were implemented. Problems however did arise because of the dual centers of management, one program being coordinated from Washington (UI) and one from Bucharest (CEEPAA). From procedural point of view, this entailed substantial duplication of efforts in coordination (with both USAID DC and Bucharest) and undesirable pressures on subcontractors.

Thus, there may be no universal managerial lesson here about parallel projects. The experience does suggest, however, that parallel implementation of this kind can work well when no significant problems arise in either project, when the boundary lines are clearly drawn and managerial responsibilities are realistically assigned in USAID and with the implementing organizations.

Does the Romania experience offer any lessons regarding *how many LGUs* should be assisted? We find no conclusive answer based on our data. At times assistance appears to have been spread too thin to support sustainable impact, but this is not a uniform phenomenon, and the sheer site-wise intensity of assistance clearly is not a key factor in achieving program impact. The targeted cities approach seems only to have exhibited sustainability when (a) the targeted cities feature dynamic leadership or exceptional capacity, thus encouraging sustainability and spread effect; and/or (b) the program systematically builds additional sites or related interventions based on the experience of the targeted cities.

There are some lessons regarding *sequence of interventions*, on the other hand. While program designs, particularly in the latter years of our coverage, consciously took into account the experience of preceding projects, the Romania program also exhibits a few instances of “putting the cart before the horse.” Municipal credit interventions commenced before banks or even very many LGUs were prepared to take on the technical requirements of municipal credit; local economic development assistance was provided in a weak financial and regulatory context; performance based budgeting was widely introduced at a time when it was largely impractical for LGUs to apply it. Attempts to work with associations early in 1996 also failed. Probably more informed design work, as well as systematic program monitoring and assessment, by USAID staff and project personnel, would have offered opportunities to avoid these miscues.

Organizational learning on the part of USAID has a mixed record: Only one full-blown program assessment excluding this one, has been conducted.⁶⁹ This, plus the shifts in management loci and personalities across the years, may help to explain the strategic “reactivity” from one project to the next. In this setting, it is difficult to keep a focus on results.

On occasion in the Romania program, there has been a clear need to review the *scale of investment* in proposed projects, to ensure that investment is proportionate to design objectives. For example, the third year of LGAP 2 was overly ambitious, even if it did not have several months of delay in getting started due to extended discussions of the draft workplan between the implementer and USAID.⁷⁰

⁶⁹ The earlier assessment was the 2001 review of the program conducted by USAID/Washington’s Bureau for Europe and Eurasia. An assessment of the full democracy and governance sector (ARD, Inc., 24 September 2001) was also conducted, but this review paid relatively little attention to local government issues.

⁷⁰ Interviews with USAID and implementer technical staff and officials of participating LGUs and other organizations, and review of the third year workplan and final report.

4.3.2 The role of local organizations in development of approaches and techniques

Local organizations typically have not played much of a role in *developing* the approaches applied in the USAID local government program. Implementation of various program elements, especially training, has featured instances of recognized input from local consultants, but this has not been an entirely consistent practice across projects. Assessment of local needs for input to new or extended project designs has occasionally taken place, but this can be expanded and more systematized. The GRASP project, it should be noted, is designed around the expectation that the project will actively leverage local knowledge and experience in response to locally identified needs.

Have some LGUs taken on innovations in management practice, financing, etc., without assistance from USAID or other donors? Yes they have, and these instances have tended to be inspired by dynamic LGU leadership.⁷¹ It may be advantageous for USAID to deliberately seek out such “self-driven” actions, learn design and implementation lessons from them, and broadly share their experience as models.

4.3.3 Demand for the techniques and approaches developed

This is perhaps one of the most challenging themes in the planning of local government assistance anywhere, and Romania is no exception. Effective and authentic demand for training and assistance on the parts of LGUs can be a bit elusive. CEEPAA, for example, conducted “wholesale” TA and training with the intention of significantly expanding impact, since demand and readiness were considered high.⁷² The three-year project trained 1,374 participants, and USAID/Romania’s R4 targets were exceeded, but tangible results at the city level were mixed. Arguably the timing of assistance to the cities was a year or two too early, given the policy environment, to be maximally effective. The CEEPAA final report makes numerous references to past and possible future use of a targeted cities approach, whereby innovations (such as establishment of citizen advisory committees) are applied in a few localities. These experiences are expected to subsequently serve as “models for other LGUs to see and copy.” The MSI team observed few examples of Romanian cities actually approaching these models and applying them in their own municipalities.

The Citizen Information Centers (CICs) arguably do together constitute a case in which local demand did in fact respond to a newly available method of citizen interaction with local governments. The relatively intense, well-structured training featured in the CIC assistance, combined with the opportunity for local governments to appear democratically responsive and to possibly save the LGU administrative costs in the long term, help to explain the successful reproduction of the CIC concept in many cities.

Arriving at *formal assistance agreements with cities* can enhance the strength of commitment of participating LGUs, and at times may even encourage a sense of healthy competition among cities for assistance. In Romania’s case, Memoranda of Understanding with cities did not appear until late in LGAP 2, early 2002. From our interviews in Romania, it is clear to the MSI team that it is individuals’ commitments to program objectives that matter most, but formal agreements can support political will on both the demand and supply sides of assistance.

4.3.4 Role-played by the political environment on the delivery of approaches and techniques for local governments

As with demand for assistance, the political environment is another familiar area of challenges for local government programs. As we have observed in other sections of this report, the political environment for

⁷¹ Interviews with LGU and association leaders.

⁷² CEEPAA Final Report, May 1999.

local government improvements has its uncertainties and is in flux, but continuing dialogue with the GOR on decentralization issues clearly is part of the formula for effective overall LG assistance in Romania. This observation may be expanded to include dialogue with the LGU and professional associations.

USAID has not been “victimized” by the political environment of decentralization; it has in fact taken proactive measures, historically, in response to the environment as it was perceived at the time. The historical perspective of the MSI team suggests that in “bad” times as well as “good” it can be beneficial to continue and support dialogue on LG issues.

Finally, we note that the United States foreign policy environment is also changeable, with varying implications for USAID’s approach to local government assistance in Romania. U.S. policy, especially after expansion of NATO to Eastern Europe, and announcement of planned Romanian accession to the EU, has emphasized US-Romanian strategic cooperation and control of corruption, with little attention to decentralization issues⁷³. Arguably, this leaves space for significant USAID efforts in LG, but at the same time, sustained policy support for LG assistance as a priority has not typically been provided from the USG. In sum, the implication is for program planners to be watchful of the policy environment, within Romania and beyond.

⁷³ Interview with US Embassy staff

5.0 Conclusions

We derive analytical conclusions from the observations presented on the preceding pages. As noted in the description of the assessment methodology, we refrain at this point from offering program recommendations, because these are to be developed from the forthcoming cross-national synthesis. Instead, we present the following summary points from our analysis as they relate to the assessment goals and lessons learned.

5.1 Project Goals

5.1.1 The impact of USAID-sponsored local government activities on the management capacity of local government

The MSI assessment team has little doubt that USAID sponsored activities have had a substantial and positive impact on many aspects of local government in Romania. We include the management capacity of local government among these, although it is difficult to quantify this or to draw direct overall conclusions. Moreover, connecting USAID specific projects to improvements in management capacity, or attempting to disentangle the consequences, as opposed to the more general factors of influence such as the improvement in educational levels and approaches to governance, the efforts of other donors, and the opening of the country to European influences and EU accession, is neither easy or self-evident. Nevertheless, the team has adopted two techniques for approximating such an evaluation; the first a comparison of the general situation that existed in 1993, when USAID activities first began, and the second by examining more closely cities that have received assistance from USAID projects over the course of the ten-years-plus since activities began. Using these two techniques, the MSI team concludes that there has been an overall improvement in management capacity and that USAID played a significant role in helping to bring this about.

We define management capacity broadly, as in other countries that we have visited on this assignment, to mean the ability of local governments to analyse issues confronting them and to find solutions to these issues. Under this definition, improvement of management capacity has been a component of each USAID program, whether or not explicitly recognized as such. Training to develop human capacity in the form of workshops, study tours to foreign countries in the immediate region as well as to the United States, and technical assistance has been a part, in one form or another, of each of the programs. Bringing to Romania new ideas and new techniques of analysis has been an important function of USAID during this period.

Romanian LGUs emerged from forty years of centralized communist rule as bureaucratic administrative units with little initiative, aptitude or ability to take decisions on their own and even less of an ability to represent and advocate for their citizens. The concepts of governance that are now in play were scarcely evident in 1993. The capacities of Romanians themselves were known and appreciated, but democratic tendencies had been repressed. We conclude that there has been a remarkable change over the ten year period during which USAID has been active and that the basic elements of USAID programs, including policy changes that have brought a fundamental shift in the local government framework of laws, association building, work with condominiums, citizen participation and information centers, tax collection, local economic development strategies, and budgeting, as well as training programs to spread both information and implementation techniques – variable in success as they have proved to be – have combined to move the playing field upon which LGUs are active to a different stage of development in 2003. No other donor has been as active in these aspects of local government and local government

capacity building as has USAID and it is therefore fair to conclude that the differences between 2003 and 1993 are reasonably linked to the USAID programs.

The second technique that we employed was to examine in detail the progression of management capacity in a number of towns that received USAID assistance over this period.⁷⁴ Again, it is appropriate to acknowledge that there have been a myriad of external influences during this time. Nevertheless, the capacities at both the *judet* and city levels are impressive in many places, and our interviewees gave much credit for the progress that has been made to the USAID assistance that they received.

Have the efforts to improve local governments reached a majority of the citizens of Romania? This is an important issue, given our earlier note that the largest cities are now being excluded from much of the dialogue within the FALR association concerning decentralization issues. Although in some ways this has been a disheartening development, we also note that this kind of evolution is fairly common in other democracies as the role of political parties increases. While USAID has not yet addressed this issue, we note that, except for Bucharest, USAID has provided assistance in all the remaining large towns.

Could a better job have been done? The answer is also clearly affirmative and in section 5.2 below, we will provide some indication of our views on this, in the form of conclusions. We will address both internal USAID management lacunae as well as more substantive issues that, had they been a more integrated part of USAID assistance, could have resulted in improved management capacity at the local level.

5.1.2 The influence of the national political environment on the adoption of USAID-sponsored local government activities

In this section we examine the evolution and the impact of the national political environment on the effectiveness of USAID efforts. As in other countries in this region, the national political environment has had a fundamental influence on the adoption at the local level of USAID LGU activities. As we have noted earlier, it is also true that a more robust dissemination effort of best practices and other information by USAID might have been able to counter some of the less desirable effects of the national political environment.

The rise of political parties and the drive toward accession to the EU have been the two most important national political trends. A third, somewhat different, trend has been the rise in corruption (arguably present in the communist era as well) and the efforts at the national level to address this issue.

As we noted earlier, the first five years following the adoption of the new constitution in 1991 saw little genuine effort at the national level to implement an effective system of strengthened local authorities. This was expected, given the makeup of the ruling political party at the time, which was still composed of many elements that favored centralized solutions to problems. An acceptable argument could also have been made that devolution of responsibilities to the local government level, without considerable capacity strengthening, would have been ill-advised. During these years, USAID efforts focused on direct technical assistance to a small number of cities in high priority substantive areas, eventually accompanied by more wide-spread capacity building training. This was a reasonable approach, given the national climate.

⁷⁴ The team visited and spent extended periods of time in the following cities: Pitesti, Oradea, Baia Mare, Giurgiu, Alexandria, Constanta, Mangalia, Focsani, and Iasi, including in most cases interviews with both the judet and city level administrations. Interviews were also held, outside their city locales, with current or former officials of Brasov and Timisoara.

This changed with the national elections in 1996, which brought to power a coalition of political parties strongly in favor of effective decentralization. USAID was able to respond quickly to this change in circumstances. The CEEPAA project was a continuation of the LGAP I approach, albeit, as we have noted, reversing the order of approach to begin with training and more general subject matter, such as development of national associations, and then proceeding to more focused work with selected cities. As such, it was therefore ill-suited to take advantage of the changed political environment. USAID recognized this and, from the E&E Bureau level (with Mission concurrence of course) initiated the Municipal Credit and Finance project with the Urban Institute. The receptivity at the central level for this activity, combined with the outstanding efforts of the contractor, permitted the rapid adoption of new legislation by 1998 that firmly anchored the role of effective decentralization in the Romanian landscape.

Implementation of the new legislation on local public finance, however, has not proceeded smoothly. While it seemed clear, the MSI team was told by numerous sources that voters favored this trend toward the strengthening of their local governments, the ruling coalition was not seen as being up to the job (along with a great many other issues of competency) and the 2000 elections swept the “reformist” elements out of power, except in the largest cities. This did not mean that the legislation was going to be scrapped, but it did mean that its implementation has taken a decidedly more complicated path. The current ruling coalition states that it is in favor of decentralization but is striving to ensure that this results in a fair division of resources. Critics have argued that what is really at work here is an attempt to dampen the movement toward decentralization and replace it with recentralization.

The impact of this on the local government level and on USAID activities has been felt, primarily in the LGAP II project, in 2001 and 2002. It has meant a decidedly more difficult environment in which to carry out specific technical assistance activities because of the uncertainty of resources to be made available at the local level. However, the MSI team was made to understand by USAID that its approach and emphasis in local government was changing from 2002 forward to focus less on the policy and national level, instead, to focus much more on interventions at the *judet* and local levels. This is the import of the GRASP activity, which, nevertheless, can be expected to be substantially influenced by the outcome of the debates at the national level concerning resource allocation and decentralization. We comment on this in section 5.2 below.

5.1.3 The impact of the local government activities on the process of decentralization and enhanced local governance

As we have stated before, the MSI team believes the impact of USAID local government activities has been substantial and positive. This includes an impact on decentralization and an impact on local governance. This impact has occurred primarily in four different ways.

The first and most important impact on decentralization has been the USAID sponsored work that produced the Local Government Finance Law, as discussed earlier. This legislation set the country firmly on the path toward meaningful decentralization.

The second way that USAID activities had an impact on decentralization has been through the strengthening of local governments’ capacity directly, in several important ways, as discussed above in section 5.1.1. Through this process, it became increasingly credible for advocates of local government to rightfully claim that local government could do the jobs that skeptics were reluctant to turn over to it.

Turning more particularly to the promotion of local governance, the third way that USAID activities were able to enhance this was through its support for citizen participation activities, both in the CICs and through its efforts to strengthen the concept of citizen participation in Romania.

Finally, USAID, with its sustained focus on the establishment of a coherent framework for sustainable and effective local government, something that no other donor or organization was able or willing to do, provided a fourth major way of having a positive impact on local governance.

Could USAID have made a greater impact? Undoubtedly, yes. USAID is only now, in GRASP, coming to grips directly with the scourge of corruption. Nevertheless, the overall impact of USAID activities has been positive.

5.2 Lessons Learned

We group our observations on lessons learned in accordance with the questions posed in the assessment SOW task 6.

5.2.1 How can USAID and its partners design useful, desired, and affordable approaches?

- The USAID programs directly and indirectly reached large numbers of Romanian LGUs. However, does the Romania experience offer any lessons regarding *how many LGUs* should be assisted at any one time in order to achieve sustainable impacts? We find no conclusive answer to this based on our data.
- *A mix of approaches* seemed to work best in most of the programs. Direct technical assistance to cities, plus study tours, plus on-site and traditional training seem to have enhanced the likelihood that meaningful innovations would be embraced by a city and would stick after the assistance was completed. Generalized training without specific TA encountered greater difficulties. Grouping trainees of various professional levels and areas of expertise seemed to enhance sustained learning and networking.
- Given the diversity of LGU capacities, both training and TA need to be highly customized to the needs of targeted groups. As program experience matured (e.g. by 2000) the assumption that all LGUs needed similar types and levels of assistance become increasingly out of date.
- Discontinuities in the pattern of USAID assistance, whether caused by a disruption in assistance being offered due to a lack of overlap between projects or because of USAID or contractor management gaps were noticed by cities and led at times to impairments of impact.
- Projects undertaken by different contractors during the same time period can sometimes be difficult, but in Romania the experience suggests that parallel implementation of this kind can work well when the boundary lines are clearly drawn and managerial responsibilities are realistically assigned in USAID and with the implementing organizations.
- It is important that the *scale of investment* is proportional to the design objectives. For example, the third year of LGAP 2 was overly ambitious both because of limited time and because of the amount of work proposed.
- *A formal assistance agreement with a city* can enhance the strength of commitment of participating LGUs, and at times may even encourage a sense of healthy competition among cities for assistance. However, the mere presence of an assistance agreement without a clear commitment from city leaders will not suffice.
- Focused and timely monitoring or assessments are important and should be undertaken on a regular basis. Gaps in the continuity of USAID CTO personnel, as well as timing gaps among implementers, encouraged wide variation of design and implementation approaches without systematic learning and assessments to support a strategic focus on results.⁷⁵

⁷⁵ Interviews with USAID technical staff and GRASP project staff.

5.2.2 What are the most effective ways in which to involve local organizations in the development and implementation of local government activities?

- With some exceptions, local organizations, LGUs, and local independent experts tended not to be systematically involved in program design. We therefore can only be very tentative in our conclusions. Cities tended to be approached with a menu of possible components that could be implemented. USAID and its implementers determined the content of the menu itself. This likely reduced commitment and long-term impact, and precluded a sense of “ownership” by the intended beneficiaries. It led also to ineffective training in some instances.
- Experience with association development features some positive results with local organizations, albeit local organizations that are quasi-governmental, and therefore it is difficult to discern lessons for local organizations from this.
- Without robust dissemination that involves local organizations, it may be difficult to build or improve local expertise, thus undermining overall program sustainability. GRASP features a “knowledge sharing” component that might be useful in this context.

5.2.3 Should USAID activities task the implementer with creating and implementing approaches and techniques in a certain number of local governments or with developing approaches and techniques that will be demanded by local governments?

- In Romania, both approaches were tried, sometimes in the same project. Although the targeted cities approach seems to have had more success in Romania, the conclusion we draw is that both approaches can work and be effective, but probably only under the following circumstances:
 - The targeted cities approach seems only to have exhibited sustainability when the targeted cities feature dynamic leadership or exceptional capacity, thus encouraging sustainability and spread effect; and/or the program systematically builds additional sites or related interventions based on the experience of the targeted cities.
 - The creation of demand approach seems only to have worked in situations in which generalized training on some subjects has been followed by proactive targeting of particular cities for focused TA that responded to the precise needs expressed by the city.
 - Both approaches require a design that takes this follow-up into account from the beginning and provides both the technical and financial resources for it.

5.2.4 How can USAID-supported activities have the greatest impact on enhancing decentralization and improving local governance nationwide?

- The Romania example suggests that when it is possible to work with the central government in the formulation of new legislation that will directly support decentralization, this is an opportunity that should not be missed.
- The Romania example also suggests that the process of working with the central government needs to be a sustained one, not limited to a one-time legislative effort, but actively continuing to include assistance with the implementation of the legislation as well.
- A continuing dialogue with the government on decentralization issues clearly is part of the formula for effective overall LG assistance. This observation may be expanded to include dialogue with the LGU and professional associations.
- The historical perspective of the MSI team suggests that in “bad” times as well as “good”, i.e. whether or not the central government is committed to effective decentralization in ways that USAID understands, it can be beneficial to continue and support dialogue on LG issues.
- This particular set of lessons concerning effective implementation of policy suggests that the approach that has been adopted in GRASP of focusing primarily at the local level may have the

consequence of diminishing USAID impact on decentralization and may render USAID efforts at the local level less effective.

- The absence of a well designed and well funded dissemination of best practices and lessons learned component, integrated into the project design from the very beginning, will seriously hamper the achievement of the overall objectives of enhancing decentralization and improving local governance.

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ANNEX 6.9
ASSESSMENT OF LOCAL GOVERNANCE
PROGRAMS IN UKRAINE
FINAL REPORT



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1.0 INTRODUCTION

1.1 Context of Assessment

This report conveys the results of the Ukraine component of USAID's Bureau for Europe and Eurasia's (USAID/EE) four-country assessment of local government programs. Other countries included in the assessment are Albania, Poland and Romania. The core analytical product of the assessment, a cross-national synthesis, will be produced when data collection and analysis are completed for all four countries.

As stated in the Terms of Reference for this assignment:

“Over the past ten years, USAID has supported numerous local government activities in countries throughout the Europe and Eurasia region. From the early days of transition, USAID has realized that support for decentralization and improved local governance would provide key assistance to reformers interested in breaking down the centralized communist system and demonstrating that transition could work and serve the people. More effective local governments can show citizens that transition can pay off⁷⁶.”

This assessment has been carried out to describe the impact of USAID's targeted programs, to determine whether the impact of these interventions has led to more effective local governments. Through an assessment of the impact of specific local government activities sponsored by USAID's Bureau for Europe and Eurasia, the MSI assessment team presents its findings.

The MSI assessment team has carried out this assessment in such a way as to be as responsive as possible to the stated goals of the assessment task order, to:

- Determine the impact of USAID-sponsored local government activities on the management capacity of local governments in the four countries;
- Examine the influence of the national political environment on the adoption of the USAID-sponsored local government activities; and to
- Determine the impact of the local government activities on the process of decentralization and enhanced local governance.

The Ukraine country assessment took place in November of 2002. In addition to analysis of key program documents, the MSI assessment team conducted semi-structured interviews with approximately 64 individuals, including central and local government officials and local government experts in 10 cities as well as the capital city of Kyiv.

1.2 Structure of Report

Section 2 describes the overall methodological approach that the MSI assessment team employed in this assignment. The specific design of the analysis and assessment is discussed, and its relevance to this country's local governance context, political and cultural environment, and to the character of the data that was available and accessible.

⁷⁶ Extract from Statement of Work (SOW) from RFP M/OP 2002-001594: Assessment of Local Government Programs, Section II, Background - page 2

Section 3 provides an overview both of the present character and recent history of local government in Ukraine and of USAID’s urban programs. A particular emphasis has been placed on those programs carried out within the past five years, for which reliable data is more available .

Section 4 presents the MSI assessment team’s key findings, starting with an articulation of the most important assumptions discerned by the team that were made by USAID when designing and implementing the interventions intended to encourage more effective, responsive, and transparent local governance. Each assumption is analyzed. The specific impacts of USAID’s programs are then reviewed, followed by a discussion of the basic issues that pertain to the intervention – quality, appropriateness, degree of local participation, the level of demand for techniques developed, and the constraints or opportunities that arose from the political environment.

Finally, **Section 5** summarizes the conclusions, first by considering the three critical project goals (impact on local government management capacity, influence of the national political environment, and the impact on decentralization). Section 5 concludes with a summary of the important lessons learned, gleaned from the assessment of the recent history of local government interventions by USAID.

The report also contains several annexes, with a copy of the scope of this assessment assignment, details of program activities, data collection protocols, a list of all persons interviewed, and a bibliography of documents used in this assessment.

1.3 Acknowledgements

We wish to express our gratitude to all our interview sources who graciously offered their time and thought in our discussions and to Michael Keshishian of EE/LG for his kind and consistent support.

2.0 Assessment Methodology and Team Composition

2.1 Overall approach

In accordance with the multi-country assessment's Scope of Work,⁷⁷ MSI focused its attention on four basic issues of local government assistance in Ukraine:

- The quality and appropriateness of the approaches and techniques developed and delivered;
- The role of local organizations in the development of approaches and techniques;
- The demand for techniques and approaches developed; and
- The role played by the political environment on the development of approaches and techniques for local governments.

2.2 Design

The design for this assessment is an ex-post, multi-site, comparative case study. Classically, to assess program impact evaluators look for data collection and analysis arrangements that allow for *systematic comparison* of conditions with and without the program intervention. This may be carried out through various means, such as before-after comparisons or cross-sectional comparison of similar units within a target population that either (a) underwent program assistance or (b) did not. Since this assessment's approach, as specified in the Statement of Work, is essentially retrospective ("ex-post"), no opportunity was available to identify comparison groups as part of actual program design or implementation. Instead, elements for comparison of program "treatment" and non-"treatment" have been incorporated where feasible within the practical and budget constraints of the assessment. For example, the team held interviews with officials from cities with heavy involvement with the USAID program as well as with those from cities that experienced little or no such involvement. Units of analysis include each of the four USAID local government program and the various projects as described in Section 3 and Annex B below, as well as specific LGUs, central governments, implementing organizations, local partner organizations and individuals.

The assessment is "multi-site" because in each country it incorporates data collected from a carefully selected sample of LGUs, as well as central government officials, USAID local government advisors and managers, representatives of US-based and locally-based implementing organizations, subcontractors, nongovernmental organizations, academic institutions and think tanks.

Available resources (especially the ex-post character of the assessment and limited data collection time in the field) prohibited extensive primary surveys. Instead, reliability of findings was supported by a modified "bracketing" approach to sampling, in which the relatively "extreme" items in a relevant population are sampled along with items that would be expected to be more typical of the group at large. The in-depth interviews, which constituted the major source of primary data, allowed the team to reach a level of consensus and confidence, after considerable initial exploration in each country, about what sites would serve as good bracketed sample sites.⁷⁸ Within the bracketing, criteria for sampling interviewees included:

⁷⁷ See Annex A.

⁷⁸ On the methodology of qualitative interviewing to gather perspectives and generate recommendations, see *Conducting Key Informant Interviews*, USAID/CDIE Performance Monitoring and Evaluation TIPS Number 2 (1996).

- Program relevance: The team strived to collect data about interventions that involved major aspects of the program, readily associated with either the documented objectives of the program or simply with notable outcomes (positive or negative). Suggestions from knowledgeable individuals, with various organizational affiliations, were essential for ensuring the relevance of data collection.
- Quality of available knowledge: We worked hard to ensure that the people we might interview at a site would be able to report to us based directly upon their own experience and awareness. This required rather detailed advance communications with prospective data collection sites. Given the high level of local government turnover in Ukraine, a number of cities were eliminated from consideration.
- Representativeness: The team sought a balanced representation of key elements in the program, such as sub-sectoral components (e.g., local economic development, strategic and financial management, capital improvement planning and finance, municipal service delivery, and public relations/citizen participation). In addition, we selected sites to provide diversity that would accurately depict the diversity in program implementation and impact. We did this by seeking representative coverage of:
 - Geographical areas of intervention;⁷⁹
 - Sites noted by early interview sources as having been “successful” or “unsuccessful”;
 - Sites with varying levels or intensities of USAID program assistance (i.e., LGUs with high levels of assistance, low levels of assistance, and a few which, at least initially, were reported to have experienced no USAID local government assistance at all).
- Logistical practicality: Finally, MSI balanced the above criteria with the need to complete data collection in a manner that made best use of available data collection time and travel resources. These required, for example, detailed scheduling and coordination of in-country travel by each country team.

Clearly, the assessment team was not able to collect comprehensive data, which would fully meet each of these criteria. Each MSI country team consulted closely with USAID local government staff, local experts and others knowledgeable of the USAID program and the decentralization environment in order to arrive at data collection decisions that were cognizant of the design tradeoffs associated with them.

Finally, this assessment is “comparative” in two ways. First, within each country program it compares program assumptions, implementation approaches and observable impacts across assisted cities, across projects, and across central government policy environments. Each country report summarizes these comparisons in sections of text addressing (a) design and implementation assumptions and (b) program impacts.

This approach carries with it some identifiable *limitations*:

7. With the ex-post structure to the design, causal attribution in this assessment, as in most such reviews, is not straightforward. The team took care to develop “before-after” and “with-without treatment” comparisons as we were able. In many instances, of course, viable comparisons of this kind are not possible on an ex-post basis. It is not possible, obviously, for the assessment team to “rewind history” in order to observe impacts in a reconstructed before-after comparison. Similarly, the passage of time since the program intervention allows for alternative factors, such as socioeconomic developments in municipalities and more recent technical assistance provided since the close of the USAID program, to distort causal analysis. The MSI team has dealt with

⁷⁹ More cities in the West of the country were visited in the East because a number of the projects overlapped in cities in the East, thus providing more data for the evaluators.

such challenges by structuring its samples for data collection as described above, and by utilizing semi-structured interviews which allowed for adaptation to a respondent's level of knowledge.

8. Reliability and balance in the resulting samples of interviews and documents used in the assessment call for careful review and assessment. MSI recognizes that there will likely always be at least one more interview that might add analytical weight or descriptive texture to an assessment. Data collection was conducted under resource limitations: Each country team was not large (three or four expatriate and local specialists, assisted by interpreters and logistical experts as needed) engaged in data collection for two to three weeks. In this case, we invite reviewers to peruse the Annexes to this report describing persons contacted and data collection protocols, and to consider the extent to which MSI's resulting findings and conclusions may be misleading.
9. Quality control to support data collection and analysis in a relatively complex, qualitative study of this kind can be difficult. A more quantitative approach to the assessment (utilizing sample surveys, for example) was judged by MSI to be inappropriate and likely wasteful of USAID resources, given the retrospective assessment questions. The assessment questions themselves were not well adapted to quantitative analysis, as the issues are not output-oriented. In addition the analytical subtleties of probing historical program experience to derive key linkages between program design and impact are not well suited to quantitative methods of data collection. In the end, the analyses produced by the MSI team are essentially qualitative judgments supported by (a) an assessment design geared closely to the key evaluative questions asked in the assessment statement of work; (b) a sample of interviews and analyzed documents that is driven by the assessment questions and made public in the final reports; and (c) a team approach to analysis and reporting, which counters the emergence of insufficiently grounded reporting in final products.

Two elements of the assessment's design, identified in the SOW and discussions with USAID/EE, also should be noted. First, at EE's suggestion MSI has generally not probed deeply into the impact of USAID work with associations of local governments or local government professionals. This topic is not considered a priority area of substance for the current assessment. In each country assessment, the roles of such associations are discussed, often because it would not be possible to present an accurate, coherent picture of the country program without doing so. At the same time, the assessment team generally has taken a "minimalist" approach to the roles of associations.

Second, for reasons of simple efficiency, MSI has taken into account the substance of recent relevant assessments or evaluations, and has made minor design adjustments as needed. For example, because EE carried out a 2002 review of local government training programs in several countries of the region, this assessment recognizes training as major parts of the country programs but takes care not to be repetitive of the precursing effort.

Aspects of the Ukraine assessment: After initial document review, logistical preparations and interviews with knowledgeable sources in the US, in-country data collection for the Romania country assessment took place during 3 weeks in November of 2002. A total of 64 interviews were conducted. Ten LGUs, selected by applying the criteria discussed above, were personally visited.⁸⁰

2.3 Analysis

⁸⁰ The MSI team interviewed local officials and other knowledgeable sources at the following municipalities: Ivano-Frankivsk, Izum, Kalush, Kamyranets-Podilsky, Kharkiv, Lutsk, Lviv, Rivne, Ternopil, and Zhytomyr.

A “synthesis and dialogue” technique was used in analyzing collected data. Key documents and interview write-ups were shared among members of the assessment team, and team members were expected to read and absorb this material. For one and one-half days before the in-country component of the assessment was completed, the Team Leader and all three of the local government specialists met to systematically develop preliminary findings and conclusions. This is a rather intense, demanding session, since integration across experiences from many diverse settings is needed, and a consensus must be developed on significant observations. In the end, a summary of these findings is developed, which serves as a primary source for this report. Preliminary briefings to the USAID local government team (except in Poland, where the USAID program had ended) also helped to validate and refine the team’s analyses.

2.4 Reporting

Each country assessment is considered a piece of the larger synthesis. The synthesis, in turn, is considered the core product of the overall assessment. Action recommendations are properly addressed to the organization requesting this assessment; in this case this organization is EE/LG in USAID/Washington. Based on discussion with EE/LG, MSI has determined to refrain from formal program recommendations until the four-country synthesis report is delivered to EE/LG. Since the substantive focus of EE’s assessment is on design and implementation lessons to be learned from systematic comparison across country program experiences, recommendations are thought to be premature until data are collected and analyzed from all the relevant country studies. Therefore this country assessment features presentation of background, findings, and conclusions, but no recommendations.

2.5 Team Composition

MSI’s Ukraine assessment team consisted of Jim Fremming (Team Leader); Bonnie Walter (Senior Democracy and Governance Analyst); Myroslava Lendel (Ukrainian Local Democracy and Governance Analyst); and Bohdana Urbanovych (Ukrainian Local Democracy and Governance Analyst). Both Ms. Lendel and Ms. Urbanovych have extensive professional familiarity with local governance in the Ukrainian context. Ms. Inna Kharlamova, interpreter and logistics specialist, ably supported the team. The MSI Home Office Technical Director was Stephen Schwenke, and Dennis Marotta was the Home Office Project Manager.

3.0 Program Background

3.1 Local Government Context

When Ukraine gained its independence from the Soviet Union in 1991, the event was a true watershed in the country's history; Ukraine had been without true independence from direct external rule for approximately one thousand years. Independence marked the opening of long-forsaken opportunities. At the same time, Ukraine since independence has faced serious challenges of transition, including the need for basic institutional developments to support rule of law, fully functional institutions of a market economy, a supporting environment for civil society and effective institutions of democratic governance at all levels. Notable progress has been made in many areas, including passage of a Law on Local Self-Government in 1997, and of the Budget Code in March of 2001, which for the first time promulgated a formula-based system for revenue allocation to local levels. While Ukraine suffers heavily from inadequacies of public transparency and accountability, some encouraging steps (in public access to information, for example) have been taken in recent years.

The challenges along the transitional path continue to be formidable, however. In the local government realm, municipalities are almost universally strapped for financial resources, and local discretion is still severely constrained by political cronyism, traditional top-down administrative practice and a lack of clarity in the division of responsibility and authority between levels of government.⁸¹ Technical and management modernization, as well as increased democratic openness and participation in decision-making, are clearly needed within local governments as well as in their broader political-administrative environment. The political constellation at the center is such that momentum for decentralization reform has, with an occasional exception, tended to be grudging rather than proactive.

Frustration at the pace of progress occasionally reaches the surface of international discussion. In 2001, for example, the Council of Europe published a "Recommendation" to the Government of Ukraine on the status of local democratic governance, noting that it was "seriously concerned by the worsening of democracy and rule of law at local and regional level[s] in Ukraine." It additionally noted "substantial resistance on the part of some Ukrainian political forces to decentralization of public powers on the basis of the subsidiarity principle."⁸²

In the face of a generally but not universally unfriendly political environment at the center, international donors and NGOs have applied a variety of approaches since independence. The particulars of how USAID has responded are described in the sections below.

3.2 USAID Local Government Assistance

⁸¹ Two examples illustrate this last problem. The town of Kalusch, in Western Ukraine, found that it had to close eleven of its local schools during the week of our November interview, due to insufficient heating capacity. In the transportation sector, several cities noted to MSI that the central government in 2002 mandated increased public transportation subsidies for several special populations (such as pensioners), but as of our data collection had only compensated cities for approximately one-third of the lost fare revenue to their municipal transport enterprise. Infrastructural management is a broad and politically sensitive area in which localities carry considerable responsibility but often find themselves facing major hurdles of funding or administration due to overlapping authority and unfunded mandates.

⁸² Council of Europe, Congress of Local and Regional Authorities of Europe, *Recommendation 102 (2001) on Local and Regional Democracy in Ukraine*. Eighth Session, November 2001.

Since 1993, USAID's assistance to Ukraine has included projects specifically directed towards helping local governments evolve into responsive and institutionally competent administrative units. Central to the strategy for local government has been the premise that democracy is built from the ground up, by nurturing transparent, effective and accountable governments, as well as through reform at the national level. The projects that USAID developed reflect a two-pronged approach, involving:

- Development of concrete skills and capacity that municipalities need in order to provide efficient and effective urban services; and
- Transformation of national policies to promote decentralization and fiscal reform.

It is instructive to quickly review the projects' designs and expected impacts over the ten-year period in order to grasp the evolution of thinking about relationships of program design to impact.

3.2.1 Municipal Finance and Management Project

Until 1997, USAID municipal development projects focused on improvements in a *small group of cities*. Through its Municipal Finance and Management Project (1994-97), USAID supported efforts in Kharkiv, Lviv and Ternopil to improve financial systems and citizen involvement as a means of increasing the effectiveness, accountability and openness of local government. Implemented by RTI, this project also provided assistance for the formation of the Association of Ukrainian Cities (AUC) as a means of strengthening decentralization, and to support the legal basis for local government. These projects predated the Law on Local Self Government, and highlighted the need for major structural and fiscal reforms.

3.2.2 Effective Local Government Project and Public Transportation Improvement Project

Beginning in 1997, the Effective Local Government Project extended support in municipal finance and management to a second group of six cities. Concurrently, the Public Transportation Improvement Project assisted nine cities with technical assistance and matching grants to improve their bus and trolleybus services. With the passage of the Law on Local Self Government, it was expected that cities would be able to use their newly established authorities and responsibilities to initiate improvements locally. However, many aspects of decentralization and municipal finance had not yet been resolved, limiting the effectiveness of municipal interventions due to overlapping responsibilities and authorities, and lack of fiscal decentralization.

3.2.3 Municipal Development Loan Fund Project

Despite the economic and financial problems still faced by local governments, in 1998 USAID provided assistance to two cities to prepare them for municipal borrowing from the World Bank through the Municipal Development Loan Fund Project (1998-9), and continued support to the AUC in lobbying for budget code revisions that would give local governments the financial resources needed to implement new responsibilities.

3.2.4 Dissemination of Regional Offices for the Association of Ukrainian Cities

Since 1990, further assistance to the AUC has been provided through the project for Dissemination of Regional Offices for the Association of Ukrainian Cities. Its extension (Add-On for Smaller Towns) combines support for organizational development in the AUC's regional entities with nation-wide training to staff of small and medium sized cities. Both projects sought to strengthen the non-governmental sector as a counterweight to central government and to build a consensus and force for the reforms needed to allow cities to use their new authorities.

3.2.5 Municipal Water Projects

Issues of municipal services delivery began to be addressed in 1998 when USAID assisted the World Bank to evaluate water infrastructure rehabilitation projects in Lviv., in anticipation of municipal borrowing enabled through the Law on Local Self Government. A second phase of work, the Lviv Water Infrastructure Project (1998-99) assisted the Lviv *Vodokanal* to prepare project documents for a World Bank loan, and in the tender process once the loan was approved. However, the poor economy and the lack of clarity in fiscal revenue sharing meant that cities were not yet credit-worthy and borrowing did not occur. In 1999, a comprehensive Municipal Water Roll-Out Project (1999-2003) commenced, providing training, technical assistance and grants to 8 cities and their *vodokanals* to improve technical, financial and managerial skills, and to develop action plans for technical and managerial improvements, in anticipation of continued policy and fiscal reform. Recognizing that improvements were linked to further reform in the communal services and fiscal sector, USAID initiated a more policy-oriented outgrowth of the Water Roll Out Project, the Tariff Reform Project (2000-2003) which was intended, in its first phase, to improve two pilot *vodokanal* and district heating companies' management and operations, improve efficiency and cost effectiveness of energy utilization, and to revise the laws and regulations that govern communal services tariff-setting and collection.

3.2.6 Community Partnerships for Training and Education Program

Beginning in 1990, USAID expanded the potential impact of local government programs by increasing the number of participating cities in new and extended projects. In 1997, USAID supported the Community Partnerships for Training and Education Program (CPP) that established 14 partnerships between Ukrainian and US cities, and four Regional Training Centers that provide local government management and technical training nation-wide; the Dissemination of Regional Offices for Association of Ukrainian Cities project had provided training to large numbers of cities, and the Tariff Reform Project was recently extended to an additional 20 cities.

3.3 Conclusion

From this description of the history of USAID municipal projects one can begin to track how the Mission tried out a variety of approaches to achieve its objectives—such as in depth concentration on a few cities compared to dispersal of efforts amongst many cities, emphasis on technical and management improvements compared to policy reform, development of broad training curricula compared to focused technical assistance, and the linkages of programmatic emphasis to the political and economic climate of the country. The history of the projects also points to the importance given to stimulation of municipal borrowing, through association with World Bank efforts.

Recognizing that the genesis of current projects pre-dates 1997, this assessment will focus its attention on projects beginning since 1997, forming a five-year period that represents substantial evolution of the Ukraine strategy in local government assistance. The five-year period of coverage was deemed the most practical for this country assessment, since it allows for inclusion of most of USAID's major efforts in local government assistance and at the same time facilitates the MSI team's data gathering through the limited memories of human interviewees. The team expects that this period of coverage provides adequate information for lessons learned in programming.

The projects included in the assessment are:

1. Dissemination of Regional Offices for the Association of Ukrainian Cities;

2. U.S.-Ukraine Community Partnerships;
3. Municipal Water Roll-Out Program;
4. Municipal Development Loan Fund Project;
5. Tariff Reform and Communal Services Enterprise Restructuring; and
6. Urban Public Transportation Improvement Project and Effective Local Government Project (two simultaneous activities conducted by the same implementing organization).

Each of the projects covered in this assessment is described in detail in Annex B.

4.0 Key Findings

4.1 Design and Implementation Assumptions

In this section we discuss explicit and implicit assumptions applied in the Ukraine local government program. As the MSI assessment team has proceeded in its analysis of the program’s design decisions and the difference these have made for effective assistance, we have recognized the importance of understanding key design and implementation assumptions as a prelude to identifying which program approaches or techniques may have elicited more impressive impact.

In the case of USAID’s local government program in Ukraine, the MSI team has observed USAID (and, in many instances, USAID program implementers, Ukrainian partners and other international donor organizations as well) making the assumptions described below. Before presenting this discussion, we would like to offer these introductory comments:

- First, the reader is advised to note carefully that these assumptions are not methodological principles undergirding the MSI assessment, but instead are key “originating points,” if you will, for the design and execution of the USAID programs covered in this assessment.
- These assumptions have been distilled from the MSI team’s analysis of interviews and program documents, utilizing a comparison of the logics as expressed in these sources, supported by cross-validation among multiple sources. Since program assumptions come in both *de jure* and *de facto* forms (i.e., expressed in program design documents as well as being evident through what the program “looks like” in subsequent design revisions and implementation), the team did not limit itself to formal and intended assumptions.
- Finally, these assumptions and their accompanying analyses are presented in the following order only to facilitate presentation; the MSI team has not attempted to prioritize these assumptions in order of their importance or weight in our overall analysis.

USAID and its implementers started in Ukraine from a set of assumptions about the following key project design elements:

- The most pressing issues that cities must address;
- The approaches and techniques that are useful, timely, workable and affordable;
- The capacity of cities to absorb and use new techniques;
- The ability of cities to sustain efforts at the end of the project;
- The potential for making an impact at the local level, if the national political environment is not conducive to reform;
- The potential for a spread effect leading to substantial impact;
- The relative efficacy of concentrating assistance within a few cities;
- The influence of external donors on reform of national policies; and
- Political and economic trends and their influence on local governments

Key design assumptions may be grouped into four main themes:

- Effectiveness of previous USAID assistance;
- Potential for making a nation-wide impact on local government management;
- Readiness of local governments to adopt new practices; and
- Technical capacity of local governments and local organizations.

4.1.1 Assumption Theme # 1: Effectiveness of previous USAID assistance

- *Assumption: USAID and its contractors understood the priorities and problems of targeted cities, and could select activities and project interventions for which cities could muster sufficient resources, staff, authority and political will for successful implementation.*

Analysis: As in many countries, project focus and activities tended to be designed by USAID and/or by USAID's implementers, and did not include significant input from the beneficiary cities (or citizens) as to the priority of the activity to the city, or the cities' political, financial or technical capacity to implement and use the assistance. While USAID correctly identified a number of major problem areas of high importance (most notably the need to improve the management and financing of communal services), the interventions and solutions proposed were not always feasible. This was due to a number of factors, one of which was the limited political feasibility of undertaking the massive structural and financial changes that were needed, especially when the solutions were linked to higher costs to citizens. Lack of input from the cities about real ability to implement changes may be one contributing factor (among others, which are discussed elsewhere) as to why certain initiatives were not implemented.

In many of the Ukraine projects, cities were invited to apply for selection, displaying an assumption that cities would propose themselves only if they assigned high importance to the problems initially identified by USAID. An alternative theory would postulate that cities adapt new practices when there is a pressing need to do so, and when the benefits of change are clear. In the case of both training and technical assistance projects, it was left up to the city to determine whether the assistance on offer was appropriate and useful to its needs. In essence, cities tended to be faced at best with a "Chinese menu" of assistance components made available to them, rather than with a context for articulating their own needs from the beginning. Since few cities would refuse free assistance, there was a certain uncritical acceptance of any assistance offered, even when unaccompanied with a clear commitment for the city to follow through. The benefits of new ways of doing things or new policies were not always clearly established or understood by the cities, especially as obstacles to implementation became apparent. In many instances, USAID underestimated or discounted the legal, economic and political obstacles to implementing changes in practices and methods, or the specific local context. In later projects, where clear agreements were made with cities (in the form of MOUs or other commitments) the commitment of cities to internalize the advice and adopt practices showed a marked improvement.

4.1.2 Assumption Theme # 2: Readiness of local governments to adopt new practices

- Assumption: *Cities had the capacity to absorb and use new methodologies and techniques with only minimal training or technical assistance, within a short time frame.*

Analysis: USAID assumed that cities were capable of absorbing, adopting, and performing complex new functions within a very short time frame with relatively little technical support or follow-up assistance. Project resources were spread thin (the number of cities assisted through each project was a function of how far the funds could be stretched). While there is no doubt that cities were willing to put time, effort and money into solving those problems that they judged as high priority, the project designs underestimated the time and amount of assistance needed to learn new skills and put them into practice. Both the project timeframes and technical assistance were less than required to understand and apply complex new functions and concepts such as strategic planning, financial analysis, and generation of financial resources for necessary investments. As a result, we find that a number of project cities have

⁸³ Interview with USAID source.

only partially incorporated new techniques into their management functions, or have only done so temporarily while technical advisors were available, and did not have the competence or resources to follow through alone. This is particularly the case where short training courses were the method to teach complex functions, and where city resources were strictly limited.⁸⁴

In some cases, the basic assumption was in essence valid, but in practice significant limitations were encountered. With the dissemination of the Financial Analysis Model, for example, while the assessment team did not conduct a probability survey of assisted cities to determine the extensiveness of its continued use, it is apparent that many cities do continue to apply this tool to various local financial analysis needs. At the same time, several consultants and city officials MSI interviewed commented that with the passage of the Budget Code a new set of reporting requirements were placed on cities, and many cities have had difficulty applying the FAM to the new regulatory environment. The interview sources suggested that if a tool is to be broadly disseminated in this manner it should be sufficiently flexible, in both its internal technology and in how it is presented via training, so that its usefulness may be sustained through changes in local needs.

4.1.3 Assumption Theme # 3: Technical Capacity of local governments to adopt new practices and local organizations to provide assistance

- Assumption: *Cities can find the financial resources to make the large scale (and even small scale) investments necessary to achieve the objectives of the projects.*

Analysis: All communal services in Ukraine suffer from dilapidated and inefficient systems that require large investments to generate basic service improvements and cost efficiencies. The technical assistance provided through USAID’s local government projects enabled cities to identify and prioritize investments, and to apply more up-to-date management practices and technical solutions. Technical assistance enabled cities to understand the benefits of computerization and Internet connections, citizen participation and strategic planning, but the projects have not helped the cities to generate the magnitude of revenues needed to improve services. Despite the new budget code that gave more money to cities, and the reforms that allow cities to set their own tariffs, cities have not been able to raise sufficient revenues locally or to borrow from donors.

As a result, much of the assistance focused on service improvements has produced investment plans, repair plans, business plans, and strategic plans that the cities cannot implement at the present time. In projects where cities were asked to find modest amounts of matching funds, cities have indeed found the wherewithal, but these small investments have generated only small improvements that do not begin to resolve the fundamental problem. Solutions to the most pressing problems require massive funds, and these funds are not available locally.

- Assumption: *The association of cities (AUC) can develop a substantial staff capacity and generate sufficient member support to sustain 25 field offices and an array of activities, thus justifying the support in capacity and expansion.*

Analysis: USAID support to the AUC was based on several assumptions. It was assumed, first, that by expanding its field presence and offering more member services, the AUC would gain stature and

⁸⁴ Officials from the small city of Kalusch, for example, noted to the assessment team that even though considerable assistance has been provided to medium-sized cities in the financial management area, the technical capabilities of financial specialists in smaller cities, at least, are quite limited. They suggested that these staff need much more training to build up technical skills and to allow them to be freed of hierarchical, “old system” thinking.

credibility and hence an expanded membership. This assumption has proved entirely correct, and the AUC has greatly expanded membership within the past 3 years. But expanded member services have been financed principally by USAID, not the membership (through internet services, information services, training and consultations). It is now doubtful that the AUC membership is willing or able to assume the financial burden of paying for regional offices (and a regional staff that typically does not feature highly developed technical skills). There is in addition the matter of funding AUC's central organization, which is the basis for the project assistance. Once the subsidization of activities (such as training, or free internet connections) terminates it is not certain that the current support for the organization will continue when services are on a fee-paying basis. In addition to the financial burden this imposes on member cities, there is still at issue the ability of the organization to muster qualified technical assistance to provide the follow-through that member cities need to bring to fruition the complex activities begun with outside TA.

4.1.4 Assumption Theme # 4: Potential for making a nationwide impact on local government management

- Assumption: *Economic vitality in Ukraine would improve, making possible donor lending via EBRD and World Bank.*

Analysis: It was assumed in the late 1990s that the national economy would incrementally improve, with a trickle-down effect evident at the city level. As individual incomes rose, revenues would therefore increase, cities would be enabled to charge more for services, thus improving their financial base and facilitating borrowing for infrastructure improvements from World Bank, EBRD and others. In fact, the declining economy and the effect of high energy costs has put the communal service enterprises in worse shape than previously, and has made credit finance a risky undertaking for both donors and lenders.

- Assumption: *The AUC could develop credibility as a repository of knowledge on local government and become an effective force for policy reform at the central level. Such a bottom-up approach would generate policy reform if the organization represented a substantial number of cities.*

Analysis: The AUC has indeed developed credibility as it has gained membership, but it is not clear that cities or the central government regard AUC as the driving force for reform in the local government sphere. AUC still has not developed sophisticated skills in lobbying with central government institutions; it lacks the capacity to marshal data to support its arguments; and the intrusion of partisan politics has been known to diminish its authority. A large city membership does not necessarily insure an effective organization. At the same time that USAID was attempting to develop the AUC as a bottom-up force for change, the Tariff Reform Project experts successfully negotiated with the central government for a variety of reforms that affect communal services. Their "top-down" success may be attributed to a variety of factors, such as the presence of a long-term working relationship with relevant central government institutions and the ability to develop and substantiate a technical rationale for reforms. It may be due to other factors as well, but it does not support the assumption that a bottom-up approach to policy reform, in and of itself, is the best way to achieve results.

- Assumption: *Given the opposition of the central government to profound reforms, impact can best be achieved through working on small-scale management improvements that do not require policy change.*

Analysis: USAID's experience with early water and transport projects indicated that significant policy change (and funds) were needed before the cities and municipal service companies could make the

changes that would lead to substantial impact. The environment for policy change was not promising, and investment capital not forthcoming. As a result, USAID decided that the next round of projects should concentrate on improvement of functions that did not depend on policy change. The “AUC Dissemination of Regional Offices, and Training Project” focused resources on improvement of processes, such as budgeting, public hearings, advisory committees, strategic planning – all management improvements thought to be largely independent of policy obstacles or the need for large investments.

USAID did continue, however, to address core issues, such as improvement of communal services, and the success of such projects was dependent on policy reforms to some extent. But even in this area it was recognized that major results would take a long time because of the profound changes needed in the economy and the political system. In fact, USAID has been pragmatic and selective, especially over approximately the last three years, in its approach to the role of policy change in obtaining measurable impact at the local level. The Mission appears to maintain a cautious approach: The new Local Economic Development project (under competition for its implementation at this writing), for example, makes no presumption that policy reform at any level would be necessary in order for the project to succeed.⁸⁵

4.1.5 Summary of Assumptions

As we noted at the introduction to this section, the MSI team has derived these assumptions from documentary analysis and interviews, combined with logical comparisons of formally stated assumptions and assumptions in practice. Through this approach, the assumptions have been identified, with the intent of drawing attention to program issues that could benefit from closer or more refined USAID attention. From the descriptions above, we may summarize these issues as:

- Emphasizing local-level interventions over macro-level policy change;
- Over-estimating cities’ capacities to absorb technical assistance and training;
- Over-estimating the positive effect of the Budget Code on local financial resources;
- Over-estimating how readily the AUC would increase its capacity and organizational sustainability;
- Over-estimating the strength of the Ukrainian economy that would be able to support external and internal investment.; and
- Overestimation of the AUC as a consistently effective advocacy organization.

4.1.6 Design Factors that were not subject to Assumptions

It is important to note that in certain critical program design areas, there were no clear guiding assumptions. For example, *building the sustainability of training* without donor funding has never been attempted or assumed to be a viable mechanism for institutionalization of capacity building in cities. It appears generally accepted that Ukrainian cities will not pay for training on any subject (The Water Roll-Out Project is the only project for which financially sustainable training and consulting was considered, and ultimately abandoned).

Assumptions about *spread effect* of projects also seems to have been absent, and not included as a design tool until quite recently. Only the AUC Dissemination project and the CPP activities have made serious attempts to “disseminate” or spread information about techniques, new practices and tools to other cities, in an attempt to increase impact of the projects. In neither of these cases is it clear what assumptions the implementers or USAID held about the value of these activities, and there has not been an effort to evaluate their effectiveness or impact.

⁸⁵ Interview with USAID source.

Finally, the Mission has not addressed assumptions about the value of *concentrating* efforts on a few cities, as opposed to spreading activities widely but thinly across the country. In fact, some projects were concentrated, and some were not, but this variation appears, with one or two exceptions, to have been a function of available project inputs rather than of design expectations regarding loci of impact.

4.2 Program Impact

4.2.1 Dimensions of Impact

Impacts of local government activities – what measurable difference they make in the local management, political and technical environment --may be addressed at three distinct levels:

- Impact on project cities: This may be measured by new practices or methods adopted by the cities, and by improvements in local government functions and services.
- Spread effect to other cities: The number of non-project cities that adopt project-promoted practices for problem solving.
- Nation-wide impact: Laws, administrative regulations, policy or even sociocultural changes that affect all cities, through administrative requirements or shifts in authority, responsibility or funding.

4.2.2 Impact on Project Cities

Most of USAID's projects in Ukraine have provided assistance to a relatively small number of cities (water project and roll out, for 10 cities; urban transport, 8 cities; municipal management, 6 cities; tariff reform project, 2 cities). The exceptions are the AUC/RTI and the U.S.-Ukraine Foundation training projects, discussed below. The objectives in these projects were to effect specific changes in practices and to improve specific services or functions in the project cities.

Field interviews indicate that the early technical assistance projects encountered massive impediments to implementation, including unresolved legislative issues, financial constraints, lack of jurisdictional competence, changes in political leadership, constraints in local and national finances, and a worsening economy. As in many country environments, these constraints have cast a significant shadow on the impact of the projects. Adoption of new management practices alone does not lead to substantial improvement in service performance or a solution to the critical structural problems of deteriorating infrastructure, lack of capital and limited local resources. While cities have been enthusiastic in adopting new methods and implementing any number of analytical and management functions, full implementation of recommendations has simply not been possible, due to such constraints. Where large-scale structural changes or large infusions of investment funds are needed to solve critical problems, or where political decisions are needed, improvement of services and the resulting benefits to citizens have been limited.

As an example of the limits to achievable results, most of the cities involved in the earlier Water Roll-Out Project took steps to improve cost effectiveness and energy efficiency in operations, to improve financial resource management and citizen relations. However, given the economic situation of their clients, the political difficulty of raising tariffs, and the lack of investment capital, the observable improvements to water and heating services have been relatively small compared to the magnitude of the problem. Clearly just improved technical processes or better internal management cannot solve the problems. The current Tariff Reform Project, which continues the assistance offered in the Roll-Out Project, has been designed to be more sensitive to the need for small but achievable results that take into account regulatory constraints (and a major relevant regulatory constraint has been dealt with through legislation) and are geared to the real economic potential of the city.

Nonetheless, cities find themselves facing many of the same familiar limitations to achievable results. Political constraints, often based on economic factors, have been a major impediment to cities' ability to incorporate new practices or adopt change. For example, in the Water Roll Out Project, one city council passed – and then rescinded – a water tariff increase that would have supported service improvements and repairs. The increase was not politically feasible, given the readiness of some political leaders and many citizens to accept tariff increases. However, the current Tariff Reform Project has seen two project cities successfully pass water tariff increases, with six more cities considering increases after considerable public debate and community involvement in the plans.

This does not mean that the projects are bereft of impact. Mayors affirm that USAID advisors have provided a number of new management tools, approaches and methods, but that implementation of recommendations – putting the tools and approaches to use -- is difficult if not impossible because of outside factors beyond the control of their cities. Cities have built upon the base of hardware and software provided by projects. In instances where cities received equipment, this has been put to good use (for example, leak detection and measurement equipment) as have grants for purchase of badly needed machinery. It appears that where management improvements could be incorporated into the framework of city operations and could show a value, they are used.

In addition, some approaches and techniques may not have received much attention from USAID and implementing organizations early on, but experience showed that they could be effective. Citizen participation activities are a case in point. At first, such efforts were not given a great deal of weight in the overall component package of assistance to cities. But assistance to the vodokanals, particularly in Western Ukrainian cities, in time showed that citizen input could be a key element in motivating a water enterprise to take risks for service improvement and the accompanying tariff increases, as noted above.⁸⁶ And while there clearly is a full range of attitudes among local officials toward strengthened citizen participation at the local level, several local leaders we interviewed offered that USAID assistance had caused them to be much more supportive of citizen input to local policy making.⁸⁷

Some methods and practices advocated by experts have been discontinued at some sites, as the cities judged them poorly adapted to the local situation or legislation (e.g., task based budgeting) or not relevant to solving immediate problems (citizen participation and public hearings). There is evidence, however, that as cities find a direct application and benefit to using new methods and processes, when the severe economic limitations and local political constraints to implementing technical proposals allow, they are updating instruments and methods promoted by former assistance projects. For example, the city of Kamianets-Podilsky recently has updated its strategic investment and financial plan in order to attract private sector investment into their public companies. Some cities hold public hearings and have appointed citizens to advisory commissions. Revised regulations for financial reporting have led to an increase in the use of the modern budget tools. In sum, if and when cities have found a reason to adopt a methodology, and as obstacles to structural changes recede, the assistance is being put to use.⁸⁸

The Project to Disseminate Regional Offices for the Association of Ukrainian Cities (with its add-on for small towns) and the Community Partnership and Training Program of the U.S.-Ukraine Foundation were

⁸⁶ Interview with implementing organization representative.

⁸⁷ In one case (the Deputy Mayor of Lviv) the city official said he found the citizen participation activity to be “the most effective aspect of USAID assistance” to his city.

⁸⁸ In some cases it is difficult to trace or determine the impact of technical assistance. In addition to impediments cited above, local elections have led to entirely new leadership, sometimes accompanied by major staff shuffles and no one at the senior level is aware of assistance projects. Change requires strong political support, but in a number of cities this support has been lost, and it is not known if the reforms and improvements have continued.

designed to achieve somewhat different objectives. Both of these projects provided limited training and even more limited technical assistance to a large number of cities. Both the approach and the expected results differed from the previously technical assistance projects; in these two projects the emphasis has been on breadth rather than site-specific depth of results. Data gathered for USAID indicates that many of the cities so helped have undertaken some small changes in management procedures, or increased citizen participation efforts. It is difficult to know to what degree these cities continue to use the techniques in their normal city management processes once the training and TA has ended. A draft EE evaluation of the impact of local government training (2001) questions whether the training has led to significant or sustained impact and whether without accompanying technical assistance the cities have managed to take advantage of training.⁸⁹ That study further notes the possibility that this training provides a constructive introduction to new management methods for cities, regardless of whether or not they led to immediate results.

The AUC training project has produced discrete impacts, but as we have noted above it is difficult to know how long lasting the impact will be when implementation of new procedures is complex (for example, strategic planning) and training and technical assistance are not available. Where concepts and techniques are relatively simple and do not require intense knowledge or skill to apply (for example, how to hold a public hearing or how to use new budget software) the uptake of cities appears to be high. As with technical assistance, when cities can see a specific use, benefit and immediate result, the training has had more impact.

4.2.3 Spread Effects to Other Cities

None of the early technical assistance projects in Ukraine have been designed with the specific core objective of encouraging non-project cities to adopt project methods. Most projects have had conferences and seminars to which non-project cities were invited, but this has been incidental to other project activities. And follow-up monitoring to determine whether there has been any spread effect has been sporadic and anecdotal. Typically no mechanisms for spread of information or dissemination of practices were contemplated and funds were used to include the maximum possible number of cities in the project.

This approach was altered in the two training projects, and in the current Tariff Reform Project. Both the AUC project and the U.S.-Ukraine Foundation projects have made conscious attempts to disseminate results or successes to a wider audience in the hopes of expanding the project impact. Both the AUC and the U.S.-Ukraine Foundation have produced manuals, newsletters, and websites, and both projects used the extension of training to more cities as a way to spread new practices. It has been difficult to determine the impact that the dissemination efforts have had on cities, apart from training. The AUC and Foundation websites contain best practices, and information about recent events of interest to cities, but the use to which cities put the information has not been systematically evaluated. The AUC's "Dialogue" electronic network has been enthusiastically praised by some interview sources, particularly those from smaller cities and towns with little or no previous electronic network engagement, but the broader significance and utilization of the Dialogue network was not dealt with in our analysis. This subject is beyond the intended scope and allocated resources of the current assessment.

The AUC Regional Offices do serve other functions besides formal training or dissemination, however, and the MSI team did observe, at two separate sites, mayors from a region gathering under the auspices of the RO to discuss common problems and to consider joint actions (vis-à-vis the local oblast, the central

⁸⁹ Unpublished USAID "Evaluation of Local Government Training in the Europe and Eurasia Region". 2002, and Development Associates, Inc. *An Assessment of Prospects for Sustainability of Training Resources: Final Report*, November 2001

government in Kyiv or the AUC central leadership) to forward their interests. Some Regional Offices, then, do serve as forums and organizational platforms for cities to share experiences and work together.

4.2.4 Nationwide Policy Impact

Ukraine local government projects were not designed to produce nation-wide impacts (except for the AUC project, which has concentrated on developing the lobbying functions of the association). Early attempts to work on policy reform led to the conclusion that outside parties working from the top down could not influence political powers.

The early lack of success had two effects. First, it caused USAID to steer projects into a different direction; and second it led USAID to promote the AUC as the leader of a bottom-up push for policy reform. It is apparent that the Association's analysis and advocacy capabilities indeed have been strengthened. There have been some successes with this approach, including the new Budget Code, which has profoundly improved the way transfers are made to local governments. At the same time, as USAID was turning to the AUC as a vehicle for policy reform, problems in implementation of the Water Roll-Out Project led to a new attempt to combine technical assistance in a small number of cities with policy reform in the Tariff Reform project, targeting specific changes in legislation needed to improve communal services. This project has successfully influenced a number of narrow but critical issues that have had wide effect on communal services provision, demonstrating the necessity of a two-pronged approach, and the limitations of technical assistance unless accompanied by policy reform.

4.3 Discussion of Basic Issues

In this section, we address linkages between key findings of this assessment and the issues identified as the assessment's goals in the Statement of Work.

These issues, discussed below, include:

1. The quality and appropriateness of the approaches and techniques developed and delivered;
2. The role of local organizations in the development of approaches and techniques;
3. The demand for the techniques and approaches developed; and
4. The role played by the political environment on the development of approaches and techniques for local governments.

4.3.1 Quality and appropriateness of approaches and techniques developed and delivered

The USAID/Ukraine LG program, during the period 1997-2001, typically presented a "multi-headed" profile, with a mixture of approaches and multiple projects being carried out at any given time. According to USAID sources, there has been at least some degree of intentional program complementarity, perhaps most recognizable in the site-by-site emphasis of RTI's assistance to cities contrasted with USUF's emphasis on training and a relatively large number of city twinning partnerships. The MSI team observes, however, that while these differing emphases together create a holistic-looking set of project designs, their effective complementarity actually has its limits. Unless the two projects systematically coordinate the substance of their efforts and their targeted cities and individuals, the result is more likely to be two potentially complementary projects working in parallel, not conjunction, with each other. Arguably, in most if not all of the projects included in this assessment, the focus was on accomplishing relatively short-term (1- to 2-year) reportable results with as many sites or targeted trainees

as possible, given the resources available to the program.⁹⁰ While the full USAID program may have had a fairly integrated, comprehensive appearance, on the ground the linkages across projects or approaches have, as a general trend, been weak.⁹¹ Under a more supportive policy environment in country for decentralization (and even a more coherent, strategically oriented budgeting and planning approach from USAID’s side), more authentic complementarity may have been possible.

The number of LGUs assisted in any given program cycle or within any project has been a matter, according to sources knowledgeable of the design of these projects, of the level of resources available at the time a project is scheduled to commence. Expected “critical mass” of impact, diffusion of innovations or demonstration effects have not been central in design thinking. The Mission has attempted both the large scale and small scale approach. This brings us again to the issues of policy environment and finite program resources. Under this combination of conditions, it becomes all the more necessary to be initially modest in investment in any one approach, to gather information across time about what seems to work and why, and then to focus efforts on application of what appear to be successful techniques.

The Mission has traditionally been sensitive to regional equity in program presence, striving for a workable balance between the more outward-looking West and the more insular, traditionalist East. The U.S.-Ukraine Foundation’s mandate to assist all regions of Ukraine helps to push this goal forward; designing relatively “inclusive” interventions that do not require elaborate institutional settings also supports it. Cities with relatively more entrepreneurial, progressive leadership have tended to receive more assistance; these cities up to this point have largely been located in Western Ukraine. However, the USUF program now covers almost all regions of the country. Recent initiatives in Crimea and Kharkiv indicate that USAID is increasingly willing to work in relatively more difficult, resistant environments.

The Ukraine program appears to have, on occasion at least, found itself in something of a conflict between scale of initial investment and follow-through. For example, many cities probably received technical assistance and/or training in one or more component areas such as strategic planning or financial analysis, but often cities appear to have a need for follow-on that so far has not been made available.⁹² This is a design issue connected, of course, to that of the number of LGUs in which to intervene at any given phase of assistance, and the overlap of different projects in the same city. In some cases, such as delivery of the Financial Analysis Model, assistance may have been spread too thin to too many LGUs; in other cases, such as the Tariff Reform Project, the interventions may have initially been limited to too few pilot sites. The Ukraine program appears to have tried both the “broad and shallow” and the “narrow and deep” approaches at different times without clear conclusions being applied as to the effectiveness of either.

4.3.2 Role of local organizations in development of approaches and techniques

By and large, local Ukrainian organizations, such as nongovernmental organizations or consulting firms, have not played a notable role in developing the contours of the USAID LG program or the particulars of project implementation. Such organizations in Ukraine are expanding in number and quality, but during the period of coverage for this assessment very few viable institutions of these types were present in country as potential contributors to program design. On a micro level, there have been notable and

⁹⁰ USAID and implementing organization interviews.

⁹¹ The Tariff Reform Project initially worked with only two pilot cities. The training required for roll-out was broached with the US-Ukraine Foundation as a means of utilizing trainers and providing a home for dissemination. However, the Foundation was not able to provide the technical level of training required, and consequently did not collaborate with the Tariff project, which developed its own training roll-out capacity.

⁹² One mayor of a middle-sized city, for example, noted that the local *vodokanal* is in need of strategic planning assistance to refresh and strengthen the help it had received some years earlier.

successful instances of local involvement – especially the recipients of assistance – in refining approaches taken in assistance. In the Water Roll-Out Project, for example, specific technical and managerial toolkits were customized to the needs of each of the vodokanals, upon consultation with them. Earlier, the Urban Public Transportation Improvement Project (in the mid-1990s) began with identification of city needs with help of project-supported municipal advisors. This supported flexibility in responding to local needs. Representatives of some of the assisted cities, interviewed by the assessment team, expressed their satisfaction with the project’s flexibility to adapt to varying local issues.

Some projects, such as the Effective Local Government project, utilized surveys of cities, an assessment team, statistical analysis plus policy input from USAID for selection of cities. But once implementation was underway, delivery was “Chinese menu” rather than featuring locally derived design.

More recently, there has been at least one instance of extensive local consultation as input to development of a planned project. According to USAID sources, design of USAID/Ukraine’s new local economic development project involved extensive consultation, both within the Mission and beyond. The external consultation featured focus groups at each of the RTCs; these sessions included discussions of local economic development needs with mayors, business representatives and NGOs.

4.3.3 Demand for the techniques and approaches developed

The largely unsupportive policy environment in Ukraine for decentralization, plus the economic climate and history of centralized decision making, combine to constrain demand among cities for assistance. Cities seem to exhibit an increasing readiness to engage in assistance, but the financial resources for matching donor contributions or independently purchasing assistance are generally not present among Ukrainian LGUs, thus limiting demand to free donor assistance. In general, MSI has found that medium-sized and smaller cities do not have the financial resources to avail themselves of technical assistance without external help.

On the other hand, even smaller cities and towns can respond positively to specific opportunities proposed by donors. The town of Kalusch in Western Ukraine, for example, has had an ongoing relationship with the Community Partnership Program for 5 years, emphasizing training and TA in distinct technical areas identified as needed by the city. These areas have included small business mobilization, and land management. In another example, the self-financing aspect of the small demonstration components within the Water Roll-Out Project appears to have reinforced interest and commitment by the vodokanals because the solutions proposed fall within the city’s economic possibilities.

Training⁹³ continues to be popular, and cities are both responding to and requesting up-to-date substantive foci for training. Some city officials told the team that the popularity of some sessions offered by the Regional Training Centers has led to difficulty in gaining ready access to them (, and there is a growing demand for the Tariff Reform Training Courses). These officials also mentioned that generally the training offered by the RTCs is useful and responsive to the needs of municipalities. As we have noted, however, financial sustainability of the RTCs as well as other training remains a challenge, given the limited finances of LGUs up to this point. A similar problem is faced by the AUC where the donor support for their training will soon end with no assurance that member cities will pay for training in the future.

⁹³ All training in Ukraine USAID projects has been free of charge. The 2001 Training Sustainability Assessment concluded that fees for training are not practicable at this time.

4.3.4 Role of the political and economic environment on the development of approaches and techniques for local governments

The environment provided by the GOU towards LG efforts has been generally unsupportive, ranging across particular initiatives from cooperative to hostile. We have noted above, for example, that the central government played something of an initiating role with the Tariff Reform Project, requesting USAID assistance in this area. Also, the Budget Code was passed, with assistance from USAID and other donors, when there was a relatively high level of receptivity in the central government to reform proposals.

The preponderant character of the Ukrainian political environment for local government assistance, however, remains strongly negative. Relatively independent, locally based political alliances are not well developed as counterweights to centralized power. Similarly, civil society organizations and rule of law (particularly the system of lower courts) essentially lack the watchdog or corrective functions one would observe in a liberal democracy. While public challenges to arbitrary central power are not unknown, and the electoral system features moderate integrity, those who hold top positions in the GOU continue to have vast governmental and informal resources at their disposal for enforcing their interests.

This concentration of political power means that local government interventions are by necessity often constrained to a focus on technical and local-level changes, although it has been shown in project after project that without policy reforms and a better enabling environment, the assistance often has limited effectiveness or cannot be adopted. At times, GOU resistance can effectively cut off even initiating assistance. One interview source with close knowledge of the USAID program noted that leadership of some cities (such as Odessa and Donyetsk) have been “coerced” by the GOU not to participate in USAID LG projects. In a political environment such as this, it is not a surprise that both the CPP and MFD projects were designed with the conscious intent not to require coordination with the central government.

The Mission has tried to be selective in how it works with the central government, taking advantage of forward steps taken in other sectors. For example, the generally positive experience of PADCO’s implementation of a social sector reform project encouraged USAID to apply the confidence developed with the central government to the Tariff Reform project, also implemented by PADCO.

Finally, it would be difficult to over-emphasize the importance of the economic environment in constraining progress in decentralization in Ukraine. Ukraine continues to be a “low-income” country in the World Bank’s categorization scheme; this in itself suggests that financial and human resources available to public and private sectors, especially outside Kyiv or a few other major cities, are poorly mobilized. Low incomes and high unemployment make it hard for cities to tax and to accomplish high-quality, reliable service delivery. With most organizations, including the cities themselves, continually strapped for cash, it is hard to encourage sustainability in institutional arrangements (such as the AUC Regional Offices and the CPP’s Regional Training Centers). Perhaps most important is the fact that even with the development of formula-based local revenue allocation, without an improved environment for economic investment only a few cities appear able to undertake the risk attached to further local reforms or changes that require a substantial allocation of own-source funds or to prepare for municipal credit. This effective restriction on accessible financial resources in turn reinforces the political vulnerability of local governments described above.

5.0 Conclusions

We derive analytical conclusions from the observations presented on the preceding pages. As noted in the description of the assessment methodology, we refrain at this point from offering program recommendations, because these are to be developed from the forthcoming cross-national synthesis. Instead, we present the following summary points from our analysis.

5.1 Project goals

5.1.1 Determine the impact of USAID-sponsored local government activities on the management capacity of local government

USAID activities clearly have made a difference in the capacities of those local governments in Ukraine touched by different projects. Technical capacity, in areas such as financial analysis and communal enterprise management, has been markedly improved in a number of cities, especially medium-sized ones. In addition, “eyes have been opened” (as local leaders themselves would tell us) regarding the possibilities that may be available to cities as management tools become more available and policy conditions might improve. USAID’s leading role in providing training and technical assistance in such areas encourages the assessment team to conclude that the bulk of such capacity improvements are attributable to USAID assistance.

The improvements are not perfect or uniformly consistent, of course. Longer-term sustainability of technical assistance or training provided on a mass dissemination basis, for example, remains a concern. In addition, while USAID has tended to emphasize organizational management issues “within” LGUs, the linkages of LGU decisions and processes to their respective communities has not been emphasized historically. This may pose another vulnerability to the sustainability of improvements to date, since in theory any innovations in local management will be stronger and more enduring with support and interest from civil society organizations, private businesses, and individual citizens.

5.1.2 Examine the influence of the national political environment on the adoption of USAID-sponsored local government activities

There is not a research method known that would allow the assessment team to determine what accomplishments might have been made through the USAID LG program, had the national political environment been more supportive of reform. As we have noted, however, it is clear to MSI that the political environment, as well as economic conditions in Ukraine, have substantially held back adoption of innovations. The period of more openness in central government policy has thus far been too short to allow for a critical mass of investment and enthusiasm for decentralization to develop.

Which is the more critical constraint, the political environment or the status of the economy? The assessment team finds that it may at first be too easy to “blame the politicians” for the limited reform to date; the economic environment for local government is itself a severe constraint. We recognize, however, that LGUs are in reality to be found in a “political economy” of center-periphery relations, and that weaknesses in Ukraine’s political system (such as transparency, accountability, civic engagement and rule of law) translate readily to impediments to economic growth and a more broadly shared prosperity. Further progress in both polity and economy are needed in order to offer Ukrainian cities and towns the proper environment for becoming more managerially competent and responsive to local needs.

5.1.3 Determine the impact of the local government activities on the process of decentralization and enhanced local governance

USAID activities have supported the decentralization and strengthened local governance in essentially the following two ways. First, the program has taken the few opportunities made available to it to effectively promote policy reform, notably regarding revenue reallocation and (more recently) tariffs on communal services. Second, and more obviously, USAID efforts have enabled local government leadership and technical staff to become aware of and apply some key management and technical tools in support of more responsive local governance. We would interpret these “tools” quite broadly, to include, for example, an association of cities that offers policy forums, training and information exchange that are all critical to the empowerment of local governments. In a precarious political environment at the center, it is all the more important to have these tools available to cities, and to institutionalize their use as much as is practically possible.

The “weak underbelly,” perhaps, of this largely encouraging picture of the impact on local governance is that it in many ways is more impressive in its potential than in its accomplishments to date. Decentralization is ultimately a two-way street, and at some point it will be necessary for further major reforms to be derived with the participation of the GOU. In addition, decentralization tends not to proceed far when small and medium-sized localities have weak economic foundations. Finally, strengthened local *governance* typically is characterized by a community’s broadly shared investment in its future, with active private sector and civil society involvement in local planning and decision making. In most of the LGUs that USAID has assisted, this (admittedly ambitious) vision is far from having been achieved.

5.2 Lessons Learned

We group our observations on lessons learned in accordance with the questions posed in Task 6 of the Assessment Scope of Work.

5.2.1 How can USAID and its partners design useful, desired and affordable approaches?

USAID/Ukraine has delivered a mixture of approaches (assistance on technical matters of management and enterprise operations; training in a broad range of substantive areas; broadly disseminated assistance to many cities as well as efforts targeted to just a few selected localities) that have tended to focus on the right technical areas of need. Over the years, experience has shown that “cookie cutter” techniques (i.e., delivering the same assistance repeatedly to many different LGUs) can expand awareness and a certain amount of knowledge in LGUs, but more effective and efficient use of resources probably would call for more local customization and/or flexibility in the possible uses of the tools provided.

With the exception of the projects featuring a small group of targeted cities, assistance may have been a bit too “thin” on a per-LGU basis to assure lasting impact. As the political and economic environment in Ukraine continues to evolve, shifting emphasis to longer-term commitments with partner cities and opportunities for follow-on TA or training may prove valuable.

Unless technical assistance and training is keyed closely to the immediate political (both the legal and regulatory environment, and the local political environment) and economic imperatives and potential, the cities will have little initiative to follow through with

implementation and the impact will be greatly diminished. Cities respond to what is in their clear self-interest, politically and economically.

5.2.2 What are the most effective ways in which to involve local organizations in the development and implementation of local government activities?

Generally speaking, this is a challenging aspect of LG assistance in Ukraine. The AUC is thus far a “success story,” in large part due to sustained assistance by USAID and the Agency’s support for strong linkages between regions and the central office in Kyiv. But other local organizations, with a few exceptions, need further institutional development before they can become effective contributors to effective USAID assistance. Arguably, with LG managerial capacity improving, USAID support to local organizations is now more appropriate than in earlier years, although the setting calls for cautious initial efforts in this area since there is no effective demand for their services apart from donor programs.

In the meantime, there are some encouraging recent examples of focused USAID consultation with interested parties on project design, most notably the preparation work for the new LED project.

Financial sustainability of local organizations, including the AUC, is a continuing concern. Developing this sustainability cannot be expected to be an overnight task, but in order for these organizations to be truly effective and influential with their counterparts this aspect of their development needs to be further addressed.

5.2.3 Should USAID activities task the implementer with creating and implementing approaches and techniques in a certain number of local governments or with developing approaches and techniques that will be demanded by local governments?

In order to promote sustainability and long-term efficiency, the preference would be to develop and deliver assistance that closely matches recognized priority needs held by local governments. We have noted, however, that such demand for assistance in Ukraine faces substantial economic and political constraints. For the next couple of years, at least, this is likely to remain the case. Effective demand for assistance therefore may be overestimated. Since the program’s limited experience with city cost sharing (through part of the Water Roll-Out Project) appears to have been effective, it may be worth carefully exploring other areas in which cost sharing could be applied in future activities. Terms of such cost sharing agreements would need to be quite favorable to cities initially, given their limited resources.

5.2.4 How can USAID-supported activities have the greatest impact on enhancing decentralization and improving local governance nationwide?

- Substantive change towards better local governance is dependent on an improved economic and political environment, both at national and local levels. Cities will continue to require assistance to improve their own economies, to access an adequate and reliable revenue base, and to effectively and accountably manage their financial affairs.⁹⁴

⁹⁴ According to a USAID interview source, in the most recent local elections, about 40% of LGUs experienced a change in mayoral leadership.

Local capacity strengthening will be a continuing need. Arguably, recently initiated efforts in communal services tariff reform and local economic development are appropriate because of the readily identifiable need for improvements in these areas. To achieve impact noteworthy at a national scale, USAID needs to maintain a role in the sector, while not losing touch with policy dialogue at the center. The current posture (with the bulk of investments with local capacity strengthening, mainly focused on revenue generation, fiscal strategies and income generation, but maintaining some GOU interaction with one or more projects or project components) seems but a partial solution, and would probably generate better sustainable impact if accompanied by focused achievements in national policy reform supportive of local economic growth and decentralization.