

**QUARTERLY TASK ORDER
PROGRESS AND COST
REPORT**

**JANUARY TO MARCH
2001**

**ALBANIA LOCAL
GOVERNMENT PROGRAM**

Prepared for



Albania Decentralization Initiative
U.S. Agency for International Development
Contract No. EEU-I-99-00015-00, Task Order 810

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Cost Report

QUARTERLY TASK ORDER PROGRESS AND COST REPORT

JANUARY TO MARCH 2001

ALBANIA DECENTRALIZATION INITIATIVE

Task Order No.: EEU-1-99-00015-02, TO 810

Date of Issuance: September 26, 2000

Task Order Description

This program will assist the Government of Albania (GoA) the implementation of an approved decentralization strategy and with the capacity development of local government units in newly mandated responsibilities. It will also support association development and focus on increasing citizen participation in targeted units of local government.

Amount Obligated under Task Order:	\$1,400,000
Total Potential Task Order Amount:	\$4,223,970
Dollars Expended to-date:	\$286,000

Progress of Major Activities

Administrative—The administrative focus of the quarter was on assisting our newly arrived second resident advisor with settling into quarters. This was made even more challenging with the routine power outages that continued for most of the quarter, subsiding in mid-March with the arrival of rain sufficient to alleviate the reservoir shortfalls in the north of Albania. The LGAD computer/internet specialists assisted with making this a smoother transition by offering timely assistance in securing both telephone line and internet connection.

Her arrival in early February was preceded in January by the arrival of two short-term advisors whose focus was on capacity building. Bill Guerrant focused on citizen participation and information center reviews while Nathaniel Bowditch examined the economic development situation in the former pilot cities. These reviews were initiated and completed in January.

By the end of the quarter two additional prospective staff had been identified, interviewed and offered jobs which they accepted. The paperwork authorizing their engagement was in process at the end of the quarter and is anticipated to be approved



early next quarter. In addition, an experienced translator/interpreter from a project closing early next quarter has been interviewed.

Decentralization consultants—Francis Conway, Juliana Pigey and Edi Joxhe—made visits during the quarter to assist with the formation of a new task force on decentralization, to facilitate the successful passage of the property laws and to assist the Ministry of Finance (MoF), World Bank (WB) and Ministry of Local Government (MLG) with an examination of medium term (3 to 4 years) expenditures. The Urban Institute (UI) was specifically invited by WB and MoF to undertake this role.

An agreement was reached with ISB, the primary Albanian consulting firm on decentralization, to continue its role as it has so ably performed in the past. ISB will work closely with UI resident staff and consultants to facilitate the continuation and expansion of the successful decentralization strategy.

Decentralization

Legal Sustainability and Policy Framework—The “Task Force” and the main decentralization issues this quarter were: extension of the mandate for the Committee and Task Force on decentralization; passage of the property laws; the Prefect law; assistance with the WB Medium Term Expenditure Framework (MTEF) for Albania. The majority of time early in the Quarter was devoted to the mandate extension and the Prefect draft law. The MTEF consumed much of the time during March.

The mandate of the Task Force expired December 31, 2000. UI and the then Chair of the Task Force, Taulant Dedja, worked tirelessly to see that the mandate was extended. Until the very end of December, the Prime Minister had given assurances that this would be done. Then the last week of December there were rumors that the Prime Minister for unknown reasons was delaying his decision extending the Task Force mandate and the leadership of Mr. Dedja.

The delay continued for a month and a half until February 22 when the Prime Minister issued Executive Order 22 establishing an Inter Ministerial Committee on Decentralization (IMCD) headed by the Ministry of Local Government (MoLG), Bashkim Fino. On the same date the two property laws, which UI had assisted the Task Force in drafting and conducting hearings, passed Parliament. Staff at the United States Agency for International Development (USAID), especially Mr. Sumka and Ms. Cullufi, worked with UI tirelessly and with great concern during this period.

The IMCD is responsible for continuation of the implementation of the decentralization strategy and the law on local government (No. 8652) passed during the summer of 2000. It consists of a representative from each of the following Ministries: Local Government, Justice, Finance, Public Works, and Health. Local Government has two representatives with the Minister serving as Chair of the IMCD. Also serving on the



Committee is the Prefect of Tirana, Director of the Juridical Department in the Council of Ministers, and Chairmen of organizations representing local governments.

The work of this committee is supported by a Group of Experts on Decentralization (GED) whose representatives come from specialists in above organizations. The Deputy MoLG chairs this group and has the authority to create subgroups to carry out special tasks related to decentralization. 33 percent of the 18 member group consists of staff from MoLG; two representatives are from the Council of Ministers; one from each of the MoF, Justice, Education, Health and Public Works. The association of municipalities, the association of communes and the association of regional councils each have one member. The former mayor of Tirana, Albert Brojka, is also member of the GED.

These two groups replaced the National Committee on Decentralization and the Task Force on Decentralization. At a dinner meeting the evening of February 21 requested by the Mission Director with the support of the UI, Minister Fino revealed the forthcoming announcement on the IMCD and the fact that the property laws would be passed the next day. He specifically requested that the UI continue to support the IMCD and GED with the development of its work plan and its implementation. This request was formalized in a document issued by the Minister in March.

On March 14, 2001, after a process of identifying appropriate members of the GED, the IMCD held its first meeting at the MoLG. Among other items, the IMCD decided that the GED would be assisted by five external organizations: the Institute for Contemporary Studies, the UI's decentralization contractor; Institute for Cooperation and Development; Institute for Development Alternatives; Institute for Financial Education; UI, which is the only foreign organization in this group.

The GED organized its work for the implementation of the national Strategy about three major issues:

- An examination of legal/sub-legal acts for the implementation of the new law on local government, especially as far as functions, competencies and managerial capabilities are concerned.
- Legal acts on local finance and fiscal decentralization.
- Policies of regional development and acts concerning vital functions of local government.

Accordingly, there are three subgroups with lead responsibility in each of these areas.



A rather comprehensive draft work plan was produced by the end of the quarter with an ambitious timetable, especially if roundtable discussions of stakeholders are a part of the GED process. The GED has agreed that its priorities will be the 2002 budget instruction changes that will be necessary to provide local governments more fiscal discretion; consideration of the draft law on Intergovernmental Relations; implementing procedures for the transfer of immovable public property to local governments. There is also an unconfirmed rumor that a new law on Regions will be drafted but this has not been formally confirmed. Minister Fino has added this area of consideration.

Medium Term Expenditure Framework—The GoA has begun work on the MTEF for 2002 to 2004. The budgetary implications of decentralization have been included as a crosscutting expenditure issue. It looks at how decentralization impacts line ministries. The MoLG is responsible for preparing a technical note on this topic. In February the MoF informed the WB that the UI has been working on fiscal decentralization as part of their assistance to the Task Force on Decentralization. The WB and MoF then requested that the UI assist the MoLG prepare the technical note. Juliana Pigey proposed working discussions. Francis Conway structured a guidance document which Messrs. Shehu and Joxhe then adapted and used to conduct discussions with staff from the MoLG. At the same time Francis Conway devised a way for this to become part of the discussions for the GED on selected issues. Decentralization will have an impact on all sectors Ministries and not just the MoLG. These Ministries are Finance, Education, Health, Labor and Social Affairs, Transport and Communication, and Public Works. The working discussions were initiated in March and continue into the next quarter. They were delayed to allow members of the GED and other specialists on a study tour to Poland to return to Albania. The Tour was proposed and designed by Juliana Pigey last fall. Its purpose was to examine revenue equalization in Poland. The task, which will face one of the GED working groups, will be the design of a revenue equalization formula for the distribution of funds to local governments. The core of this group will come from members on the study tour. The study tour is an integral part of the decentralization assistance being provided. It gives participants a concrete example of a formula and informed discussion about the factors related to it and experience to date with the revenue equalization procedures to date in Poland. Accompanying this group was UI staffer Sherefedin Shehu who will play a vital facilitative role during the formula development process.

Property Laws—The work of the Task Force and UI last year on the property laws came to fruition on February 22 when Parliament passed the General Law on Immovable Public Property and the law On the Transfer of Property to Local Governments. A surprise amendment made at the suggestion of Francis Conway and with the initiative of the then Chairman of the Task Force, Taulant Dedja, was the transfer of "city halls" immediately to the municipalities. This is of great symbolic value and is an exception to the time line for transferring immovable public property to local governments which may take up to two years to complete.



There are several tasks now facing the GED, one of which is to familiarize GED members with the contents of these laws since most of them were not involved in the drafting process last year and are not familiar with the contents of the laws. The major task, however, is the development of specific procedures of identifying, inventorying, and finally transferring public property to local governments. By law, within 90 days from the effective date of the property law, transfer procedures are to be approved by the Council of Ministers. Every Ministry will be involved in this inventory process. The Land Tenure Center estimates that as many as one million separate pieces of property may be involved in this process. It is a massive one-time effort.

The IMCD is committed to keeping the timetable for the transfer of property. It has already stated that development of property transfer procedures is a priority for the decentralization workplan. This has been recognized already in early discussions of the GED.

In order to gain experience for transfer procedures with municipalities, LGAD will implement prototype procedures with pilot municipalities. This will be done in advance of the formal process that must come from the GoA. It is anticipated that these pilot efforts will provide input to the formulation of official procedures that will be the responsibility of a GoA organ.

Prefect Law—Much of the UI staff time this quarter was spent facilitating a response to a draft law On the Prefect which was drafted by the MoLG and sent to the Council of Ministers without any notice. The first awareness of this draft occurred when USAID staff faxed a translated copy of the proposed law to UI. UI immediately sent a copy to the NAAM and made it aware of the draft. UI then secured the Albanian version and worked with NAAM in designing a roundtable to critically examine the draft from the perspective of local government interests. Participants were representatives from local governments, the MoLG and donor projects. It was co-hosted by the NAAM, UI and Kompas. Juliana Pigey and Edi Joxhe of the UI made valuable contributions to the discussion. As a result of the roundtable the draft was revised and forwarded to the Council of Ministers.

The Council of Europe became aware of the draft and requested that action on the draft be delayed until a CE legal team could visit Albania and have discussions with the sponsoring Ministry. This meeting was held in mid-March with the participation of the UI. The draft was subsequently revised again and forwarded to the CoM. The legal department of the CoM returned it to the MoLG for further changes. At this time no action by the CoM has been taken on this proposed law. However, early next quarter it is expected to be acted on favorably.



Decentralization Opportunities and Risks¹—The process of decentralization in Albania is entering a new and critical phase. The Government has adopted a formal multi-year decentralization strategy. Parliament has adopted key laws, including the general law on local government and the law on local public property. The Government recently issued a new formal mandate to continue the structured dialog on decentralization, including representatives of the national and local governments, as well as civil society. The Ministry of Finance has defined decentralization as an issue that cuts across all aspects of the State budget. In keeping with this it has appointed the MoLG to head a special working group to look at this “cross-cutting” issue as part of the Medium Term Expenditure Framework for 2002 to 2004.

These recent measures create an opportunity that is unique among the transition countries. Alone among these countries Albania has in place a strategy and the mechanisms of dialogue among stakeholders to implement a phased process of decentralization. As such it is in a position to obtain the benefits of greater local autonomy and accountability while avoiding the problems caused by rapid, unmanaged decentralization. This opportunity is at risk. In a way, Albania is a victim of its own success. The structured dialogue through the Task Force and the MTEF process and the need to address a wide range of decentralization issues already are straining the capacity of the Albanian participants in the process, including the national and local governments and civil society. There is too much to do and not enough time and people to do it.

If the opportunity is not to be lost, two things will have to happen. First, the Albanian participants must reach agreement among themselves on a pace of decentralization that is realistic and feasible. This consensus cannot become an excuse to postpone decentralization indefinitely. The more imminent threat may be, however, to decentralize in form but not in substance. The consensus must identify key measures that provide for real and expanding decentralization, starting with a few basic steps and steadily incorporating others. The compressed workplan of the GED appears to be more than can be handled and at the same time maintain a constructive dialogue among stakeholders which has been characteristic of the decentralization up to this point.

Second, the process of decentralization in Albania needs and deserves greater support from the donor community. As noted above, alone among the transition countries Albania is proceeding with decentralization in phases and based on dialog among all the stakeholders. This approach requires attention to a very wide range of difficult issues, in many cases concurrently.² Donors can help the Albanians, first in the

¹ This section is taken from a field report written by Francis Conway because it is an excellent summary.

² The decentralization strategy adopted by the Council of Ministers in January 2000 includes a section on implementation that describes most, if not all, these various issues.



analysis of the options for resolving the various issues, then in the actual implementation³. That is not happening at this time.

GED Organization and Schedule—The work plan of the GED is very ambitious. It must be careful not to become overwhelmed by the large number of items on its agenda. One measure that will help avoid this problem is the proposal to create sub-working groups to look at specific sets of issues. These working groups will help prepare an analysis of current facts and specific recommendations for consideration by the Task Force as a whole. They also provide an opportunity to expand the number of participants in the process. This will make the work of the Task Force more efficient. At the same time, should a particular task get bogged down, hopefully, this will remain with the working group and not affect the work of the Task Force as whole.

As the dialogue in the GED matures, the members will begin to consider whether the current pace of decentralization is realistic and desirable. The outcome of this should be a broad consensus among the participants from the national and local governments and from civil society on the priorities and phases of the decentralization process. So far it is the MoLG driving the process rather than broad participation of stakeholders.

Transfer of responsibility for basic public services—The experience in other transition countries shows that the responsibility and authority over basic public services, especially water, is among the most important new functions of local governments. It is through the decisions they make regarding these services that local governments have the biggest impact on the quality of life of the citizens in their community. Payments by citizens for these basic services usually exceed by several times what they otherwise pay in local taxes. Thus, it is important to the process of decentralization in Albania to proceed with the decentralization of responsibility and authority over water, wastewater, roads, solid waste and public transport, as foreseen in the national decentralization strategy and in the local government legislation.

This transfer of authority while vital to the process of decentralization will not be easy. For instance, in the water sector alone there are a large number of difficult and critical questions that should be addressed before the actual transfer of authority in that sector begins. The decentralization of other basic public services involves similar questions, although they may not be as difficult to address as those in the water sector.

The problem is that precious time has been lost. The national decentralization strategy anticipated many of these issues. At the time the Council of Ministers adopted the strategy the proposed date for the transfer of authority to local governments was still two years in the future. When Parliament confirmed January 1, 2002 as the date when

³ The implementation of the transfer of property to local governments is a huge one-time task involving perhaps as many as one million individual assets that must be inventoried and registered. This cannot be completed in a reasonable time frame without outside support.



the local governments would assume responsibility for these services, there still were eighteen months left. The date is now only nine months away. The discussion of the issues has not begun. At the same time, the Government and the donors are making key decisions about the future of the public services, especially water. Many of these decisions will constrain the options available to local governments once they assume authority over the services. These decisions also entail contractual commitments with private firms that the local governments will have to honor, although they are not currently participants in the contracting process. None of this bodes well for any of the parties—the local and national governments of Albania, the donors or the private firms bidding on the contracts.

The MTEF working group on decentralization appears to offer the best prospects as a forum to initiate discussion of these issues in the near future. The MTEF process last year already recognized the decentralization of public services as a key issue. The current MTEF process can expand on this by identifying in greater detail the key questions that must be addressed. As there is a tight deadline for submitting any input to the MTEF process, it is likely that this will lead to a discussion of the pending questions in the near future. Then, the national and local governments together can decide how to proceed in an orderly fashion. As with other decentralization issues, donor support for this dialogue will be of the greatest importance.

Local government participation in the process—The issues currently before the Task Force and the MTEF working group on decentralization are all of vital interest to local governments. Local governments are participants in both groups. There is no substitute for their inputs. The local governments must assume an active role in the discussions of the Task Force and MTEF working group. So far, this has not been the case. The Government and the donors, including USAID through the LGAD, must be proactive in seeking out the leaders among local elected officials and staff to make them aware of the importance of the ongoing dialog and encourage them to participate actively. Otherwise, the dialog cannot and will not succeed.

Role and limits of the LGAD—Just as the capacity of the Albanians to address all the decentralization issues currently under discussion is strained, so too is the capacity of the LGAD to support them in the process. The scope of the LGAD would seem to include overall support for the process of dialogue, both in the GED and in the MTEF working group, by helping to set the agenda, facilitate the discussions, act as the secretariat for each group and provide technical specialists. The work with the Association of Municipalities also is a vital part of this support. The scope of the LGAD also might include technical support in the area of key pending legislation broadly defined to include not only new laws still in draft, such as the Intergovernmental Relations Law, but also the implementing regulations for recently adopted laws, such as those on local public property. The LGAD also might provide technical support



concerning key issues of fiscal decentralization, including the pending design of shared tax and transfer mechanisms and reforms to the local budget process.⁴

This presents two problems. The first is that these are only a small part of the issues currently on the table for discussion. The second problem is that other donors have not necessarily accepted the definition of the role of the LGAD in the decentralization process. The risk is that the LGAD could be perceived as being part of the problem and not of the solution. Through its involvement with GED and MTEF working group, the LGAD might seem at times to be identifying issues that it is not prepared to address. It also might appear to be raising questions about other donor programs that have an impact on the process of decentralization. The alternative risk is that the decentralization issues will not be addressed in time, thus affecting the process adversely. These are real issues and they exist whether or not they are made explicit through the GED and MTEF working group. The National Decentralization Strategy anticipated the need for additional studies and technical assistance. The only way to do something about these issues is to engage other donors in providing support to the process of decentralization in Albania. This is a function that may be more appropriate to USAID than to the LGAD. At a minimum it is something that the LGAD must coordinate closely with USAID.

Municipal Development—(Democracy and Governance)—Municipal development this quarter focused on baseline assessments of selected cities, implementation of a budget workshop for newly elected local officials and completion of a preliminary draft of a training intervention of demonstration cities. Also, during the quarter a draft guide on the local government law was completed and initial in-depth reviews of municipal information centers and economic development were completed.

Baseline Reviews—During January two related but different activities were launched. The first was “scoping reviews” of past USAID pilot cities with additional cities added to provide size and geographical mix to potential demonstration cities. The second was review of the status of two primary programs of prior local government initiatives in Albania: economic development and information centers. This was done by two expat consultants while the scoping reviews were completed by in-country staff.

A total of 17 cities were visited by local staff in January. The cities varied in size and location. All former pilot cities were included in the review. With few exceptions

⁴ Even these tasks may require additional level of effort under the LGAD contract. Just in the area of fiscal decentralization, the intensity of the work has grown measurably as a result of the willingness of the MoF to consider such issues as part of the Annual State budget exercise. It is clear now that the support to the Task Force and to the MTEF working group will continue at the current level of intensity at least into 2002, if not 2003. In addition, there are likely to be unanticipated issues that require instant attention by the LGAD because of their impact on the process of decentralization. The recent effort to try to amend a proposed Prefect's Law is a very good example of such a situation. Finally, the LGAD could easily pick up on some of the pending issues, such as those related to the decentralization of the water sector, if additional level of effort were available.



there has not been much “carry over” of prior TAT efforts. As a generalization this is in due to new mayors in the cities. They are unaware of the importance of some of these activities that in the past had been successfully implemented by pilot cities. The hiring of new technical staff in some instances exacerbated this—Pogradec, Lezhe and Durres are examples—and “releasing” of the trained staff. In other instances, staff have been retained by new mayors in the pilot cities. Kucove, where the mayor was reelected, Shkoder and Berat.

While city council meetings are now open to the public by law, there is still low levels of interest or participation by the public. The mayor’s office and city council now have new roles, but the same interactions typified by the past are present. This is perhaps due in part to the fact that the vast majority of a city’s budget is from earmarked funding by line ministries. In some cities DP council members are boycotting Council meetings at the request of the DP Party Chairman. In the Lezhe region this has prevented the formation of the Regional Council because not enough members are present to form a quorum. All the city councils are organized into commissions, some of which are prescribed by law. The mayors expressed interest in information and training that would assist them with these transitional issues and in enhancing communication between local elected officials. Few of the cities visited have conducted any form of orientation program for new officials to acquaint them with the local government organization, critical issues, budget/finance matters and the like.

The mayors still view infrastructure improvement as their primary need. Within this category the priorities are roads, water and schools. There has been small infrastructure projects in the larger cities funded by donors, but no large scale improvements that can have an impact on a city. Some of the former USAID pilot cities have rudimentary capital improvement plans and have established priorities of projects and identified possible sources of funds.

Improving the social assistance procedures for determining eligibility was a priority in Lezhe, Elbasan and Durres. This is a responsibility of local governments and they are dependent on GoA institutions for the timely provision of accurate data to certify eligibility. Currently the provision of the data happens because of personal relationships rather than an effective system of cooperation between central and local governments. The complaint is that the cooperation is not there. For the smaller cities, voting on whom is eligible each month for social assistance is the main activity of the city council.

All the mayors were aware that local governments now have taxing and fee setting authority and expressed keen interest in understanding how to use this new authority. Several cities, Korce and Shkoder are examples, were actively planning to improve property tax collections and expressed interest in receiving assistance in this area. The Korce mayor intended to implement a billing system for property tax collection.



Communication consultant, Bill Guarrant, among other things focused on assessing the status of Citizen Information Centers (CIC) in the cities of Tirana, Durres, Berat, Kuçova and Fier. From his observations the Centers in general appear to provide the following services:

- Information about city programs, services, events and activities
- Distribution of flyers and brochures
- Assistance with citizen requests and directions to proper departments
- Other duties as may be requested by the city administration

The CIC staff seems to have other duties and are not dedicated full time to Center operations. Some facilities are open limited hours or are just closed without explanation. Other operations do not appear to be well publicized and the daily usage rate is low.

From interviews with mayors, directors and CIC staff it appears that:

- Many citizens still want to do business the "old way" by seeing the mayor or directors personally for their requests. It will take some time to change this historic perspective of doing city business.
- The CICs are not empowered or equipped to take specific service requests so they remain basic information and referral operations.
- Some newly elected officials are not well informed on the purpose, services and benefits of the CICs and perhaps see them as "window dressing" from the previous administration.
- Some qualified CIC staff (Durres) feel threatened that they will be replaced.
- Most city officials are not thinking about additional CIC services or moving some department/citizen functions down to the CIC.
- Department directors appear to be reluctant to lose "control" of direct citizen contact if some of their services were offered at the CIC.

The following next steps have been offered as possibilities from these observations of CICs and interviews with city officials. Conduct meetings or TA to ensure that newly elected officials understand the purpose, services and benefits of the CICs and how the Centers are a part of customer friendly government; provide training in Effective Customer Service to the core cities that currently have CICs as well as a few additional municipalities where interest has been expressed. The Bulgarian customer service training module used by the USAID/Local Government Initiative could serve as a framework for this training; consider forming a Customer Service



Improvement Team of those cities that complete the training and model customer focused local government. Use this team to advise UI on next steps, serve as in-county customer service champions and provide training assistance at future workshops; conduct a study tour to demonstrate customer service innovation in Central Eastern Europe municipalities. There are excellent examples of customer service center operations in Poland and Bulgaria.

Economic development consultant, Nate Bowditch, assessed the status of economic development implementation in the former pilot cities and also looked at tourism as a potential economic development approach for Albanian municipalities. What he found is that most of the pilot cities were thinking about forming “economic development offices”—offices of coordination and development. This decision is influenced by previous economic development planning and by the recent local government law that gives to municipalities’ responsibility for economic development. But only one of the cities visited has a clear idea of the activities an economic development office should undertake, or how and with what kind of staff. Furthermore, effective economic development in Albanian municipalities will depend on the existence of three essential capacities according to Bowditch:

- Urban planning land use management, zoning, and resolution of land ownership issues, building permits, and enforcement.
- Urban community development: project development, funding and coordination for roads, water, sewer, sanitation, sidewalks and other neighborhood amenities.
- Urban economic development: information (on natural and human resources, taxation, education facilities and other community resources), inventory of available land and buildings and promotion.

What seems to have happened is that the pilot cities engaged in a planning exercise that was called economic development planning. Once more precise clarifications are made, such as the tripartite distinction above, and then there has not been much economic development planning. Rather there has been a planning activity with some priorities established that may be related to economic development broadly. For instance, Berat and Pogradec identified tourism as an economic development priority. Most of the action items, however, are related to community development; i.e., infrastructure upgrades, etc.

He also found that the cities believe that tourism is an opportunity for them. Why? Their interest seems based on well preserved historic properties and memories of tourist bus arrivals a few years ago. But relatively little tourism has been occurring in Albania in recent years by either foreigners or Albanians. This is due to the instability in the country as typified by social unrest of '97 and the Kosovar influx of '99, not to



mention the disastrous effects of the pyramid schemes. To be sure, roads, electricity and water are very serious issues in Albania and this will affect the growth of tourism.

Why should tourism be considered for municipal economic development in Albania in the near term?

While travel and tour agencies may be weak and some services—such as tourist transportation—may have to be re-energized, the basic business infrastructure for small-scale tourism (i.e., hotels, restaurants, mini-vans, coffee-houses, bars, museums, historic sites) is functioning. The main problem is packaging and presenting information for non-residents so that they know what is available and how to access it. This approach to economic development can involve the private sector from the beginning. It stands to benefit the most (B&Bs, hotels, restaurants, etc.) from tourism. But also local governments, which do not typically perceive a role for themselves in tourism development and promotion, can produce immediate revenues for themselves through room taxes charged directly to tourists.

There are two Business Improvement Districts (BIDs) which were created in late 2000. These are located in Durres and Shkoder and consists of businesses located on a specific street within a designated distance on the street. Each BID has formed a business association and registered as an NGO. The designated "district" (think part of a street; not square block area) in each city has been improved with the addition of trash containers, improvements to sidewalks, greening, etc. The Shkoder BID was still awaiting the arrival of trash containers in February. Both BIDs talked about plans to improve and expand. What this means in practice is to approach donors once again for funds. Both BIDs wanted indirect financial assistance from their respective municipalities. At the time of the visits the new mayors were not committed to providing the assistance.

It appears that the BIDs have adopted the approach of devising plans and then seeking funds from donors. There is another aspect to BIDs that has not been expressed to date; i.e., to conduct activities that will attract more visitors/shoppers into the area. The next phase of the BID is to shift to conducting activities that will attract more people into the area. In this way it demonstrates to the members of the association the benefit of having and supporting a BID.

Financial Management—Sherefedin Shehu conducted a pilot policy budget seminar for mayors and city council chairs from the twelve regional "capitals" of Albania. All except Lezhe attended the seminar conducted in Tirana in early February. There was a lively discussion at the end of the two-hour seminar facilitated by Artur Kurti, Mayor of Kucove, and Luan Tafili, Finance Director for the City of Shkoder. The discussion was preceded by the presentations of these two gentlemen because of their past experience in using the proposed budget process. The mayors of the eleven cities signed a form stating that they wanted to participate in future budget training offered by



LGAD. Follow-up visits were made to a select number of the cities over the remaining months of the quarter to ascertain the status of budget procedures currently in use and the capacity to participate in the anticipated budget training planned for the 2002 budget. The NAAM, Kompas and GTZ were provided copies of the workshop materials and invited to jointly participate in making the presentation in every Region of Albania. To date there has been no formal reply to the invitation. These same organizations, in addition to NDI, SOROS, UNDP, MSI, OSCE, received invitations to attend the seminar as interested observers.

During the quarter the property tax study of Tirana was expanded to Durrës and Elbasan. UI staff, especially Dr. Shehu, provided ongoing advice and assistance to Violeta Bendo, principal investigator, as she analyzed data, defined conclusions and developed recommendations. By the end of the quarter the study of the three cities was completed. A seminar to discuss the findings and recommendations of the study is scheduled early next quarter. The final product will be a property tax guide that portrays the current system of property taxes in Albania and presents specific recommendations for improving the system. It is anticipated that this phase of the property tax study will conclude next quarter.

Municipal Services and Assets—The UI's Edlir Vokopolae has been engaged in improving the delivery of social assistance services in Elbasan in cooperation with the Urban Research Institute (URI). In addition he met with officials from Lezhe to evaluate efforts to strengthen the certification of families eligible for social assistance. Social Assistance is one of the exclusive functions now devolved to local governments. Many municipalities want to be certain that those receiving benefits are indeed eligible for them. The aim of UI efforts is to streamline and improve eligibility certification procedures. In February the Ministry of Labor and Social Assistance (MLSA) requested Edlir to present information on the local government law in an effort to clarify devolved responsibilities to local governments.

Co-operation with Other Programs—Because of intense efforts to see that a good draft Prefect law was produced—one which complies with the local government law and meets the standards of the European Charter on Local Self Government—UI staff and consultants worked very closely with USAID, OSCE, NAAM and the legal staff of selected cities. All of February and most of March was devoted to intensely tracking events related to this law. It consumed an enormous amount of time. The draft Prefect law is a clear improvement over the original version that conflicted several Albania laws and was fundamentally in non-compliance with the European Charter. Juliana Pigey and Edi Joxhe made key contributions at a critical point in this dialogue. UI now has a strong working relation with OSCE in part due to this successful effort.

During the quarter UI staff, especially consultant Juliana Pigey and staffer Sherefedin Shehu worked very closely with the World Bank, Ministry of Finance and Ministry of Local Government on the MTEF. This is an ongoing MoF effort and is



increasingly requiring UI resources to actively support it. Francis Conway had a very important meeting in late March with the World Bank consultant Andrew Bird and Mimoza Dhimbi of the MoF regarding MTEF and decentralization. Sherefedin Shehu's knowledge of the MoF data and his dedication to provide timely information to the UI/MoF/MoLG team has been of incalculable value.

During March the work with the MoLG staff as the technical MTEF note was finalized was very intense. Over a dozen separate meetings were held over a period of a few days. These meetings revolved around discussion of a guidance document produced by Francis Conway. MoLG staff have spent many hours in the office working with UI staff.

UI teamed with IOM to visit the cities of Durres, Shkoder, Elbasan, Berat and Kucove to discuss possible infrastructure projects. IOM has made consistent use of prioritized lists of projects developed by past activities of the UI to identify small infrastructure projects. IOM will fund projects in each of the above cities.

UI has been able to provide MSI information on various cities as they have identified their pilot cities to implement anticorruption activities. A great deal of information on Elbasan was provided in late March when MSI identified it as one of their pilots.

UI has also held meetings with other local government projects conducted by Dutch and German donors. Several meetings have been held with GTZ and Kompas to sort out program activities to ensure that activities are complementary and not duplicative. GTZ has field staff located in six cities and is providing TAT in the same development areas as UI/LGAD. Kompas is also conducting activities in the same areas as LGAD but has field staff in only one city at this time, Korce, as does GTZ. There will be ongoing discussions with GTZ and Kompas to ensure maximum coordination. This is already in place with Kompas, which has a decentralization component in its program.

There were two CEE Study Tours completed this quarter in cooperation with World Learning. One was a decentralization study tour and the other was related to municipal development. A group of technical social assistance staff from selected municipalities went to Bulgaria to study ways of implementing effective intake centers for social service applicants. They were from Elbasan, Durres, Lezhe, Korce and Shkoder, and were accompanied by representatives from the MoLG and the Ministry of Labor and Social Services.

The Revenue Equalization study tour went to Poland. This is in preparation for the development of formulas, which the GoA will use to distribute funds to local governments. Participants came from MoF, MoLG, NGOs and local governments. A select number from this group will become the primary group for developing the equalization formula.



Significant Findings and Delays

Two events unanticipated at the conclusion of the preceding quarter that have impacted LGAD are the reconstitution of the task force on decentralization and the delay extending the mandate. Another unanticipated event requiring LGAD attention and resources was the appearance of the draft law On the Prefect. The latter required constant attention of UI staff for at least a month, almost full time. In addition, UI decentralization consultants spent a half-day at a roundtable plus additional hours reviewing and commenting on drafts. During the time there was a hiatus with the task force, it was impossible to take any actions on items that were awaiting decisions. This lasted for two months until March. Now with the new task force, there is further delay until a work plan is in place and members are oriented to the work at hand.

Because there are so many new members on the ICMA and GED and because it is now under the leadership of the Minister of Local Government, it will take several weeks for this group to come together as a working team. They are not aware of the history of the previous task force and the careful procedures that were followed in making policy and then drafting laws. This transition is further complicated by the awareness of line ministries that decentralization has real impacts on their budgets, staffing and procedures. Now decentralization is being met with varying degrees of acceptance. There is even talk of deconcentration instead of decentralization. One ministry is more or less resisting proposed changes. Conversely, there are other ministries, such as the MoF, which are moving decentralization forward and at the same time calling for additional technical resources from LGAD; resources which are not readily available.

The work required by supporting the MoF and MoLG on the MTEF study has consumed the time and attention of our lead person on local budgeting—Sherefedin Shehu. The local budget training has suffered from his “absence” but there was no way he could be pulled away from MTEF and decentralization tasks. His knowledge of the data in the MoF and that organization functions are irreplaceable. He made tasks, which would have been impossible, and in some instances unknowable, appear routine. Decentralization in Albania is at such a critical stage that it was necessary to keep him engaged and let the local government budget training slide a little. However, Marilynne Davis has stepped in to pick up the slack and to move it forward.

One not too surprising development is the lack of activity from the Regions. What is happening is that these are becoming extensions or agents of the GoA. They have no clear role or mission in their own minds. They continue to look to the GoA for direction, such as waiting for directives from the MoLG to determine the contribution of the member units of governments. This is a decision that can be within the power of each Council to determine. But perhaps because there is not a tradition of local governments making decisions, the MoLG is filling the vacuum.



General elections are scheduled for late June. This will take some of the time of local officials but should not materially impact the work if it is a relatively calm election.

Worked Planned for Next Reporting Period

Administrative:

- Hire additional full time staff, one of who will replace Sherefedin Shehu who is leaving LGAD. It is hoped that he can be retained as an STTA.
- Furnish a conference room that can be used for small group TAT.

Decentralization:

- Complete work on the MTEF in support of MoF and MoLG.
- Identify and recommend changes that can be incorporated into 2002 budget instructions scheduled to be released in July.
- Complete the final edit on the "guide" to local government law and conduct regional meetings in cooperation with the MoLG and other donors.
- Assist the GED in devising procedures for transferring public property to local government.
- Conduct pilot property identification procedures with selected demonstration cities.
- Conduct hearings on the draft law on Intergovernmental Relations.
- Facilitate a working group for developing 2002 tax instructions in cooperation with the MoF, General Taxation Department.

Democracy and Governance:

- Conduct a Train the Trainers workshop
- Conduct a study tour in cooperation with World Learning for Mayors and Council Chairs from selected cities on roles and responsibilities
- Update CIP with former pilot cities
- Form a Partner Advisory Team

**Financial Management:**

- Conduct a budget policy workshop for selected cities
- Conduct a budget policy study tour in cooperation with World Learning for selected cities

Municipal Services:

- Establish social services working group
- Initiate service fee methodology assessment for selected public services

Specific Action Requested

None

Up-To-Date Schedule of Work

Because of delays in the arrival of the second resident advisor, post, project progress is running slightly behind schedule.

Key Personnel

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