

**QUARTERLY TASK
ORDER PROGRESS AND
COST REPORT**

**JULY TO SEPTEMBER
2001**

**ALBANIA
DECENTRALIZATION
INITIATIVE**

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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September 2001
UI Project 06901-013

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ATTACHMENT

Cost Report

QUARTERLY TASK ORDER PROGRESS AND COST REPORT

JULY TO SEPTEMBER 2001

ALBANIA DECENTRALIZATION INITIATIVE

Task Order No.: EEU-I-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: \$2,800,000

Total Potential Task Order Amount: \$4,219,617

Dollars Expended to-date: \$ 938,856

Task Order Progress Report

As required by Section F.5 of the Local Government Contract, below is a description of progress during the last quarter under the following Task Order.

Work Performed During Previous Quarter

Program activities for the quarter were a combination of materials/workshop development and the delivery of training and follow-up to that training. The primary activity related to decentralization during the quarter was the National Conference on Decentralization. The implementation of full cost fee methodology training for water and sanitation services under the program's capacity building component.

Administration

Hiring of CCNs

- Albana Dhimitri, who will ultimately oversee decentralization activities, recently completed a Masters degree at Syracuse University and is returning to the project.
- Offered employment to two full-time translators.

- Transfer of Lindita Oshafi from full-time to from part-time; engagement of Violeta Bendo on a part-time basis to assist with small business tax study and development of roundtables on property tax.

Management and Subcontractors

- Finalized contracts with ISB to provide primary support to the Task Force on decentralization and to conduct a study on an agricultural land tax.
- Contract with ANTARRC for Training of Training (ToT) successfully completed.
- Obtained equipment to support expanded training initiatives next quarter.
- Contract with ValuAdd in support of fee methodology training successfully completed.

Decentralization Activities—(Legal Sustainability and Policy Framework)

- National Conference on Decentralization, September 25 and 26, 2001.
- Conference objectives of the GoA: to reaffirm its commitment to the decentralization process in place since 1999; to share with donors the projected workplan for decentralization; to ask donors to implement activities in support of this workplan.
- The opening plenary session contained presentations by the Prime Minister, the newly installed Minister of Local Government (MoLG), and key donors such as the World Bank and the United States Agency for International Development (USAID).

The Urban Institute (UI) and its subcontractor, ISB, played critical supporting roles in designing, developing and delivering the conference in cooperation with the MoLG, OSCE and USAID. Francis Conway conceived the activity and providing ongoing review and encouragement of it through some challenging moments due to the formation of a new government. The MoLG was not designated till the week prior to the scheduled conference. ISB was invaluable in providing him with an orientation to both decentralization and the conference. While there were many at UI who contributed to the success of this conference, Juliana Pigey and Artan Hoxha worked tirelessly and effectively in making major improvements and writing key speeches for plenary speakers. UI staff were involved in each of the three parallel sessions. Edi Joxhe and Edlir Vokopola teamed to conduct one of the three parallel sessions. Juliana Pigey and Artan Hoxha conducted a second, while Sherefedin Shehu teamed with Fran Brahimi of the MoLG to conduct the third. It was announced at the conference that the MoLG would change its name to the Ministry of Local Government and Decentralization (MoLGD) to underscore the commitment of the GoA to decentralization.



It is especially significant to note that the conference was conducted with massive coordination and involvement of a variety of donors. Most notable among these are OSCE which was instrumental in using its resources to convene, in cooperation with MoLG and USAID/UI a preparatory meeting and all major donors (USAID, WB, EU, CE, UNDP) and bilateral donors (such as German, Dutch, French, etc.) two weeks prior to the conference.

Formula for Distribution of Unconditional Budget Funds—At the request of the MoF, UI and its subcontractor ISB in close cooperation with both the MoLG and MoF devised a formula for use in distributing unconditional funds to local governments Juliana Pigey and Artan Hoxha along with assistance from Fran Brahimi of the MoLGD. The MoF is “elated” with the formula. It will be used to transfer approximately 20 percent of funds that normally would go through Ministries to local governments directly to local governments, thus bypassing the Ministries, which increases significantly local governments discretionary funds.

Property Transfer Procedures—The Council of Ministers approved the creation of a unit to oversee the transfer of state immovable property to local governments. UI’s Edlir Vokopola has worked diligently to draft a set of procedures, which can be used to bring about the transfer of these properties. He consulted extensively with the Land Tenure Center, a USAID project, and with the property registration offices of the GoA. The procedures will be field-tested next quarter before submission to the property transfer unit of the GoA.

Transfer of Water Responsibility to Local Governments—UI intervened to slow a process of “privatizing” water assets so that local governments and the Task Force on Decentralization could review this issue through the prism of a “guidance document” created by the UI for this purpose. Francis Conway, with input from a variety of sources, devised a document and approached facilitate a structured analysis of this complex issue. The Task Force held three meetings to examine these issues with all the stakeholders involved in the discussion. ISB and UI co-facilitated these meetings.

Concurrently with these meetings there were 12 regional meetings using the same document. Invitees were all local governments (65 municipalities and 309 communes and 12 regional councils), representatives of the water utilities, the business community and non-government organizations (NGOs) as well as the media. This effort occurred through the cooperation and coordination of OSCE and USAID/UI. OSCE used its field offices to handle logistics and to distribute guidance documents and invitations. UI coordinated the facilitator teams (two person teams) and provided an orientation to ensure a common approach. All meetings were conducted in the first week of September. The German GTZ project, Dutch Kompas project, Association of Municipalities and World Bank provided facilitators. Artan Hoxha and Edlir Vokopola were key in seeing to the success of these meetings.

Decentralization Studies—In cooperation with ISB, the UI initiated two studies in support of decentralization. The first is a small business tax study which will support the new local government law giving municipalities and communes the right to collect and use taxes from small businesses.

The second, which is being conducted through a subcontract with ISB in cooperation with UI, is a study of a proposed reintroduction of the tax on agricultural land that the MoF is contemplating. Completion of this study is anticipated next quarter. Both of these studies are being conducted at the request of the MoF.

Municipal Development

Training of Trainers—Expanded the ToT to include skills related to the implementation of training on the determination of full costs of providing municipal water and sanitation services. Trainees included persons from local government, central government and two former mayors. The training consisted of field visits in the Gjirokaster and Shkoder regions under the direction of STTA Ted Siegler and Marilynne Davis. In September trainees received an orientation to conducting focus groups before actually going to observe and then conduct focus groups on devising fee increases for public services. Approximately 12 cities were involved in this process.

Capital Improvement Planning (Capital Budgeting)—An intensive development effort on a workshop for capital budgeting was made during July. This was under the leadership of Peter Epstein who visited in early July in order to conduct assessment visits in selected cities, review past capital budgeting materials developed in Albania as well as those developed by UI in other countries. Based on this as well as extensive discussions with UI staff, an approach was determined that would be useful to Albanian cities. A draft manual was produced and a draft workshop design was completed with input from cities implementing a CIP under a prior USAID project. Both the manual and workshop was “tested” on five cities in order to refine content of the manual and the workshop approach. Based on the inputs from this “test” revisions were introduced. This workshop will be formally rolled out the fourth quarter of this year.

Full Cost Fee Methodology for Public Services (Water and Sanitation)—Fee methodology training was developed and implemented during the quarter. It was implemented in two regions—Gjirokaster and Shkoder—and involved 12 different cities. All cities have obtained the requisite data for calculating actual service costs. This approach is a major change in the way cities estimate these costs and is complex compared to the immediately past systems. Intensive field visits were necessary in order to assist cities with this effort. Roundtables were held in September to share the results of each cities’ efforts and to explore feasible changes for improving services and reducing costs. Kavaje did an outstanding job with the water manual, which can be used as a model for other cities in this area.



Related to the fee methodology training is the conduct of focus groups in order to ascertain the extent to which fees can be increased to approximate the cost of water and sanitation services. Local trainees will be able to lead such focus groups in the future. There were ten persons who participated as trainees. Focus groups were held in five cities.

Budget Roundtables—Follow-up with participating cities occurred in July and September. The roundtables were to assess what cities have done to implement different budget procedures. They were held in Gjirokaster and Shkoder and involved ten different cities, which had completed the initial budget training in May. Perparim Dervishi and Lindita Oshafi conducted these roundtables. In addition, discussions were held about upgrading the budget manual to include worksheets to assist local finance departments during the implementation of the 2002 budget.

Cooperation and Coordination with Other Projects—UI decentralization and capacity building activities typically involve selected Ministries and other relevant organizations such as other donor local government projects. Since May UI has informally organized meetings with local government contractors and with selected donors such as the World Bank and OSCE. This group will be expanded to include UNDP now that it has announced intentions to implement activities for local government. The National Conference on Decentralization involved all the major donors and selected local government projects of bilateral donors. Capacity Building training has OSCE participation as well as participation from selected Ministries and the water utilities.

Significant Findings and Delays

None, although the delay in forming the new Government until mid September compressed many activities that would have been done at a more normal pace.

Work Planned for Next Reporting Period

Decentralization

- Support of the new Task Force on Decentralization
- Completion of Small Business Tax and Land Tax studies
- Pilot testing of immovable property transfer procedures
- Regional meetings on property transfer and urban planning
- National distribution of the Guide on the local government law
- Adoption of a formula for unconditional transfers by the MoF

Capacity Building

- Expansion of Fee methodology training to other regions
- Initiation of CIP workshops
- Revision of budget training manual
- Continuation of budget roundtables

Specific Action Required

None

Up-to-date Schedule of Work

On schedule