

**PROGRESS REPORT
MUNICIPAL INFRASTRUCTURE SUPPORT PROGRAM
PHASE II**

PERIOD OF PERFORMANCE
2 AUGUST 2001 – 30 JUNE 2003

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PREPARED FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT
2ND QUARTER 2003

SUBMITTED JULY 30, 2003

BY

INTERNATIONAL CITY MANAGEMENT ASSOCIATION

USAID AWARD No. 170-A-00-01-00103-00

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I. INTRODUCTION

Goals/objectives:

The International City/County Management Association (ICMA) established the *US – Montenegro Partnership for Municipal Development* in November 1999, initially under a one-year grant from the U.S. Agency for International Development (USAID). Phase I activities were designed to assist local governments in responding more effectively and efficiently to increased demands on municipal services due to the influx of internally displaced persons from the Kosovo conflict. The ICMA grant, expanded and extended until February 2003, served as the technical and operational hub for USAID assistance to the local government sector in Montenegro.

The Municipal Infrastructure Support Program (MISP) was conceived as support to the Partnership for Municipal Development to accomplish several goals:

- Sustain the reforms once the local government laws are enacted
- Provide projects demonstrating transparent municipal finance
- Increase citizen participation
- Build service-delivery capacity of local governments

Seven municipalities received infrastructure grants to undertake specific capital investment projects as a training tool to refine and leverage policy reform and capacity building activities from the US-Montenegro Partnership for Municipal Development. In addition, the program assisted municipalities in developing their capabilities in the areas of multi-year financial planning and Capital Improvement Planning (CIP). The technical assistance component of the project is intended to enhance the capabilities of municipalities to assume responsibility for their own infrastructure development.

ICMA/MISP offers an integrated package of training and technical interventions designed to:

- A. Improve municipal project planning and design
- B. Improve municipal financial management
- C. Familiarize municipalities with the new Public Procurement Law (PPL), and provide active municipal project management pursuant to the new law
- D. Improve Municipal Constituency Outreach Skills

During this reporting period, on May 12th 2003, given its experience in this area, USAID tasked ICMA/MISP to undertake additional activities in the area of infrastructure improvement with respect to upgrade of up to 10 border crossing points under USAID's *Border Facilities Improvement Project*.

The MISP team assisted in accomplishing the following goals:

- Coordination with relevant Ministries, Departments and European Agency for Reconstruction in preparation of needs assessment and priority list
- Preparation of Design Brief and Design-Built Contract

Counterparts:

The municipalities of Tivat, Kotor, Ulcinj, Cetinje, Nikšić, Pljevlja and Berane.

Counterparts in activities related to *Border Crossing Project*:

Ministry of Interior, Ministry of Urban Planning, Department of Public Works, Department of Real Estate, Customs Office as well as municipalities of Bijelo Polje, Rožaje, Pljevlja, Nikšić, Herceg Novi, Ulcinj and Kotor

II. ACCOMPLISHMENTS:

(A) Improve Municipal Project Planning And Design Capabilities

Development of municipal projects:

Under ICMA/MISP the municipalities play the lead role in planning, proposing, designing, and undertaking the infrastructure projects. ICMA/MISP provides technical assistance (TA), training, and review. Projects are to be developed in three rounds, to provide multiple opportunities for hands-on experience by the municipalities. In the 1st round, ICMA tenders the projects while training the municipal staffs. The first round projects, though tendered by ICMA, have the documents prepared according to the Law on Public Procurement. During the 2nd and 3rd rounds the municipalities will tender the projects per the Law on Public Procurement with ICMA/MISP assistance and oversight.

- ICMA/MISP completed the construction/procurement of all projects
- ICMA/MISP received acceptable retention securities for Berane 01-01, Kotor 03-04, Pljevlja 03-04, and Ulcinj 07-01
- ICMA/MISP continued the construction administration (CA) hands-on training for municipal counterparts. Needs assessments were continuously used to identify areas of CA which require focused training for each project.
- MISP continued the program meetings with each of the seven mayors and municipal officials to discuss project progress and status.

When it comes to *Border Crossing Project*:

- ICMA/MISP Engineering team visited 12 proposed border crossing sites
- ICMA/MISP Engineering team continued meetings with Government Officials, municipal representatives and European Agency for Reconstruction representatives
- ICMA/MISP Engineering team continued meeting with potential contractors and preliminarily collected quotes

- ICMA/MISP Engineering team continued modification and finalization of assessments and relevant technical documents

Review of projects:

- Assisted Municipality of Kotor in construction administration and contract closeout procedures

For Border Crossing Project:

- ICMA/MISP reviewed submitted analysis, assessments and other relevant technical documentation already prepared by counterparts

OUTPUTS:

- Closeout on all projects
- Retention securities provided for four additional projects

For Border Crossing Project:

- Design Brief, Conceptual Design Plans, Bill of Quantities and Specifications drafted
- Potential contractor identified (YU BRIV – Kotor)
- Construct-Built Contract drafted and submitted to USAID and Contractor
- ICMA has prepared and submitted to USAID all deliverables for the borders assessment. These represent: 1) Conceptual design and layout for each site; 2) Typical bill of quantities representative of all sites; 3) Schedule for a design-construct contracting and delivery process; 4) Recommendations on availability for local procurement (Union of Serbia and Montenegro) of key construction materials and or contracting of local designer/contractor talent for fast, high quality delivery on multiple sites; 5) Form of design-construct contract.

RESULTS/IMPACTS:

- All scheduled projects completed
- All but three retention securities provided
- Preparatory activities for Border Crossing Project completed

(B) Improve Municipal Financial Management Skills and Practices
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Capital Budgeting and Capital Improvement Planning (CIP)

- No MISP activities on this topic during this quarter

OUTPUTS:

Municipal Budgeting

- No MISIP activities on this topic during this quarter

OUTPUTS:

- CRDA implementers sensitized and made more aware of municipal processes and the need for earlier involvement
- Increased awareness among municipal officials of the need to involve community in CIP development.

RESULTS AND IMPACTS:

- Recognition by municipalities that the budgeting process needs to consider long-term investments and continued need for citizen involvement

(C) Familiarize municipalities with the new Public Procurement Law, and provide active municipal project management pursuant to the new law

- No MISIP activities on this topic during this quarter

(D) Improve Municipal Constituency Outreach Skills

Citizen Participation Project Design:

Through the US-Montenegro Partnership for Municipal Development, a comprehensive citizen participation component was designed to build awareness among counterparts of the advantage and necessity of creating 2-way communication between government and its citizens and to build capacity and provide training for government officials to sustain an open and transparent system of government, which allows, encourages and empowers citizens to participate in decision-making at the local level. While serving to complement and reinforce existing activities, this citizen participation component will enrich democratic development of citizens and government officials and ultimately facilitate sustainable implementation of policy reforms.

- Continued coordination with CRDA programs
- Enhanced counterpart awareness of importance of CRDA program

OUTPUTS:

RESULTS/IMPACTS:

- Counterparts are continuously made aware of the importance and benefits of actively involving citizens in policy decisions, which affect them and have expressed a willingness to work in partnership with ICMA to develop further activities to strengthen participatory processes.

III. CHALLENGES AND ISSUES

Defects-liability Retention Securities

Three project disbursements remain to be paid in March 2004. ICMA has requested \$20,000 to go with the one-year program extension to cover the defects-liability periods, but has not yet secured approval of these funds from USAID.

Contractor Difficulties

ICMA/MISP experienced further problems related to termination of contracts with NIVAL on Pljevlja 1st and 2nd round projects due to disorganization. Since NIVAL did not provide adequate extension of performance securities validity period and therefore did not act in accordance with contractual obligations, MISP requested activation of performance securities NIVAL had provided prior to start of works.

However, NIVAL relied upon subcontractors for part of the works. NIVAL intends to pay for the work done by the subcontractors with the monies held in escrow. This means that NIVAL is effectively withholding payment due to subcontractors for as long as ICMA withholds Performance Security monies from NIVAL. The subcontractors requested payment, but ICMA/MISP refused, stating that its contract is with NIVAL, and that ICMA/MISP was empowered to deal with NIVAL only. The subcontractors then presented their grievances to USAID, who is currently taking the situation into consideration. To date, the situation has not been resolved.

Municipal Joint Financing Obligations

Prior to signing each ICMA/MISP contract, the joint financing obligation of each municipality was formalized in the form of a Project Implementation Agreement (PIA). Municipalities were also required to cover their joint financing obligations by means of a bank guarantee or establishment of an escrow account for the required amounts. As project implementation progressed, ICMA/MISP issued written reminders to the municipalities on a regular basis with regard to these obligations.

As of this reporting period, every partner municipality had either met its financial obligation in full, or paid a substantial portion. By June 30, municipalities had remitted over \$314,000 to ICMA/MISP. USAID/Montenegro and ICMA are currently negotiating the release of remaining contributions from Cetinje and Ulcinj, estimated at \$14,000.

IV. FUTURE ACTIVITIES

(A) Improve municipal project planning and design capabilities

- No future activities projected

(B) Improve Municipal Financial Management Skills And Practices

- No future activities projected

(C) Familiarize municipalities with the new Public Procurement Law, and provide active municipal project management pursuant to the new law

- In coordination with USAID/Montenegro, continue to pursue payment of the joint financing obligations owed by partner municipalities to the ICMA/MISP Program

(D) Improve Municipal Constituency Outreach Skills

- No future activities projected