



*Governance Accountability Project*  
*Projekat upravne odgovornosti*

# THIRD YEAR WORK PLAN

GOVERNANCE ACCOUNTABILITY PROJECT, PHASE II

FOR THE PERIOD 1 January 2010 TO 31 December 2010

This publication was produced for review by the United States Agency for International Development, the Swedish International Development and Cooperation Agency, and the Embassy of the Kingdom of the Netherlands to Bosnia-Herzegovina. It was prepared by Chemonics International, Inc.

Submitted 10 December 2009



**Koninkrijk  
der Nederlanden**



SWEDISH INTERNATIONAL DEVELOPMENT  
COOPERATION AGENCY

# **BOSNIA and HERZEGOVINA (BiH) GOVERNANCE ACCOUNTABILITY PROJECT, PHASE II (GAP)**

**THIRD YEAR WORK PLAN (1 January 2010 – 31 December 2010)**

**USAID CONTRACT NO. 168-C-00-08-00001-00**

**Sida CONTRIBUTION NO. 76003804**

**EKN ACTIVITY NO. 15745**

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## ABBREVIATIONS

AECID	Spanish Agency for International Cooperation for Development
BiH	Bosnia and Herzegovina
CDPC	Community Development Planning Committee
CIP	Capital Improvement Plan (or Planning)
CIPS	Citizen Identification Protection System (BiH government body; after fall 2008 named IDDEEA)
CPF	Capital Projects Fund
CoE	Council of Europe
CSC	Citizen Service Center
CSPC	Civil Society Promotion Centre
DfID	UK Department for International Development
EC	European Commission
EKN	Embassy of the Kingdom of the Netherlands in Bosnia-Herzegovina
FBiH	Federation of Bosnia and Herzegovina
GAP	Governance Accountability Project
GIS	Geographic Information System
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (a technical assistance agency of the Federal Republic of Germany)
IABS	Integrated Accounting and Budgeting System [Software]
IDDEEA	Agency for Identification Documents, Registry and Data Exchange of BiH (former CIPS)
ILDPA	Integrated Local Development Project, a UNDP/Swiss Development Agency Program
IPA	EU Instrument for Pre-Accession Funding
ISO	International Organization for Standardization
IT	Information Technology
JMC	Joint Management Committee (USAID, Sida, EKN)
KRA	Key Results Area
LAN	Local Area Network
LED	Local Economic Development
LI	Local Interventions
LSG	Local Self-Government
MA	Municipal Assembly
MAP	Municipal Action Plan

MC	Municipal Council
MCI	Municipal Capacity Index
MoF	Ministry of Finance
MoJ	Ministry of Justice
MoLSG	Ministry of Local Self-Governance (RS)
MoU	Memorandum of Understanding
MTS	Municipal Training System Project, a UNDP/Sida project
NGO	Non-Governmental Organization
OSCE	Organization for Security and Cooperation in Europe
OHR	Office of the High Representative
PCM	EU-standard Project Cycle Management
PERA	Peoples' Empowerment in Rural Areas, a Sida program
PMP	Performance Monitoring Plan
POI	Public Outreach Initiative
RS	Republic of Srpska
RSNA	Republic of Srpska National Assembly (parliament)
Sida	Swedish International Development Cooperation Agency
SIPU	Swedish Institute for Public Administration
SoW	Scope of Work (or Statement of Work)
SNV	Netherlands Development Network
SPIRA	Streamlining Permits and Inspection Regimes Activities, a USAID program
STTA	Short-Term Technical Assistance (or Short-Term Technical Advisor)
TA	Technical Assistance
TARA	Tax Administration and Reform Activity, a USAID program
UI	Urban Institute
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UPP	Urban Planning and Permitting
UPC	Urban Permitting Center
USAID	United States Agency for International Development
VNG	International Cooperation Agency of the Association of Netherlands Municipalities
WG	Working Group

# INTRODUCTION:

## Overview and Guiding Principles

This is the third work plan of the Governance Accountability Project in Bosnia and Herzegovina covering the period from January 1, 2010 to December 31, 2010. As, pursuant to the contract, much of the work of the project is completed or to be completed during this year, this work plan also brings to a close a number of project activities.

As in Year 2, there are five guiding principles underlying this work plan.<sup>1</sup>

- To maintain the momentum of reform: This work plan calls for ongoing contact with every partner municipality to prevent backsliding, and the monitoring and evaluation plan is designed to help the project identify municipalities where reform may be slowing in time to take corrective action.
- To build institutional and technical sustainability: This work plan continues and expands core and MAP assistance in finance and budgeting, revenue mobilization, service improvements, urbanism, and so forth to build permanent capacity within municipalities; activities within the Municipal Associations and government agencies to increase their capacity and information availability; and peer mentoring and information sharing with non-GAP municipalities.
- To foster local ownership of reform to make it both relevant and sustainable. This work plan, like those previous, is designed to provide ample opportunity for stakeholder input into decisions in all municipalities with demand-driven assistance for Cohort 3 and 4 municipalities, and create working groups and advisory committees with members from the community and civil society to help insure that municipalities receive the assistance they need in those areas most important for them to achieve their goals.
- To facilitate effective communication as a means to both achieving project goals and institutionalizing reforms. This includes horizontal communication between municipalities via the associations, NGOs and mentoring and peer networks to both assist in collective advocacy, policy analysis and information sharing through networking well as within the municipality, both that between the mayor, municipal council and municipal employees and between the municipal government and its citizens and other stakeholders to ensure transparency of actions, accountability to the public and consistency in goals and objectives.
- To do well while doing good; how the project is implemented can be as or more important for sustainable and effective reform than the programs themselves. In virtually every project area, GAP provides training and – importantly – hands-on experience in essential skills in areas such as EU-based project cycle management; performance measurement; participatory planning, monitoring and evaluation; citizen-focused governance including the use of focus groups, community visioning, surveys, and hearings to obtain input and direction; the policy cycle and policy analysis; effective advocacy and other skills important not

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<sup>1</sup> A fuller explanation can be found in the Year 2 work plan.

only to assure that GAP projects are well implemented but also to improve the management of all municipal projects regardless of funding source.

The slowdown in the world economy has a strong potential to negatively affect reform efforts in BiH in terms of maintaining both momentum and sustainability. As are other levels of government in BiH, municipalities are very dependent on the VAT which, as a tax (largely) on consumption, is sensitive to the business cycle. Recent evidence indicates that state/entity and local governments in BiH have been more severely affected than all other governments in the region. Current estimates are that even 2008 collection levels are unlikely to be realized until perhaps 2012. Other municipal revenues will also increase only slightly as the demand for natural resources and in property values picks up, affecting revenues from concessions and from the rental of municipal property. Ongoing high unemployment will continue to negatively affect revenues from personal income taxes and corporate profits taxes, affecting higher levels of government as well and making it more unlikely that they will be able to increase transfers, especially given the increased pressure on social expenses from rising unemployment.

GAP has attempted to take these economic issues into account in designing the 2010 work plan. We have continued to add support for our activities in the area of budgeting, own-source revenue collections, borrowing and debt, and management of municipal property. GAP's core assistance, especially in budgeting and finance and in process streamlining, also will be of help to partner municipalities, and we look forward to working with our donors in tracking economic conditions and consequent effects on municipalities and making adjustments to our project's assistance based on those conditions.

A second issue concerns the upcoming general elections. Although mayors and municipal councilors or assembly members are not standing for election this year, there will doubtlessly be, at a minimum, distractions at higher levels of government and possibly disruptions that could affect municipal operations. GAP has attempted to take this into account as possible within the work plans, but it still remains a large unknown.

## Organization of this Document

In the following section, a brief introduction is provided for each of the three GAP components – local interventions, policy interventions, and cross-cutting activities – including progress to-date under GAP, followed by a presentation of planned activities organized according to key results areas (KRA). The KRAs and overarching project objectives are presented on page 10. For each activity, we provide an objective statement, rationale for the activity (or the issue or problem against which it is directed), the approach to the activity itself, projected impact or outcomes, counterparts in BiH that will be involved, project resources or inputs, and a detailed schedule for implementation. Figure 1 shows the layout of the document by area. The detailed tasks to implement each activity are provided in the Project Implementation Schedule, shown in Appendix 1.

## Work Plan Layout

<p><b>Section:</b> Local Intervention, Policy Intervention, or Cross-Cutting</p> <p><b>Component:</b> Key results area under which activities are organized</p> <p><b>Activity:</b> Set of actions aimed at a common outcome or result</p> <p><b>Objective:</b> Brief description of the activity goals</p> <p><b>Rationale:</b> <u>Why</u> the activity is being undertaken</p> <p><b>Actions:</b> <u>How</u> the activity is to be undertaken</p> <p><b>Results:</b> <u>Outcomes</u> or results of the activity</p> <p><b>Link to Year 2 work plan:</b> Effect of <u>past work</u></p> <p><b>Counterparts:</b> <u>With whom</u> will we work</p> <p><b>Resources:</b> <u>Inputs</u> for the activity</p> <p><b>Schedule:</b> <u>When</u> will the activity be implemented</p>
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**Figure 1**



# COMPONENT ONE: LOCAL INTERVENTIONS

## Overview

In its third year, GAP will be working with 72 municipalities – 41 “legacy municipalities” who were assisted in the first phase of GAP, and 31 “new partners”. The 15 partner municipalities selected at the start of the second phase of the GAP project are called “cohort 3”, and the sixteen municipalities selected in year two for assistance are called “cohort 4”. Table 1, below, lists all partner municipalities by category. The 72 current GAP partner municipalities are home to approximately of 2.3 million citizens or close to 65 percent of the total population and encompassing 61 percent of the total territory of the country.

**Table 1**

<b>Cohorts 1 and 2: Legacy Municipalities (41) <sup>2</sup></b>			<b>Cohort 3 Municipalities (15)</b>	<b>Cohort 4 Municipalities (16)</b>
<i>Banja Luka</i>	<i>Gradiška</i>	<i>Rudo</i>	<i>Banovići</i>	Bos. Krupa
<i>Bihać</i>	<i>Jablanica</i>	<i>Sanski Most</i>	<i>Bosanski Petrovac</i>	Čapljina
Bos. Grahovo	<i>Kakanj</i>	<i>Srbac</i>	<i>Cazin</i>	Domaljevac/Šamac
<i>Breza</i>	<i>Kalesija</i>	<i>Srebrenica</i>	<i>Čitluk</i>	Grude
<i>Bugojno</i>	<i>Konjic</i>	<i>Teslić</i>	<i>Gračanica</i>	Kneževo
<i>Bužim</i>	<i>Ljubuški</i>	<i>Tomislavgrad</i>	<i>Ilidža</i>	Kostajnica
<i>Čelić</i>	<i>Lopare</i>	<i>Travnik</i>	<i>Ilijaš</i>	Kotor Varoš
<i>Doboj-Istok</i>	Mostar	<i>Trebinje</i>	<i>Kladanj</i>	Kupres
Drvar	<i>Mrkonjić Grad</i>	<i>Tuzla</i>	<i>Livno</i>	Ljubinje
<i>Foča</i>	<i>Nevesinje</i>	<i>Velika Kladuša</i>	<i>Petrovo</i>	Novi Travnik
Fojnica	<i>Novo Sarajevo</i>	<i>Vlasenica</i>	Ribnik	Olovo
<i>Goražde</i>	<i>Posusje</i>	<i>Vogošća</i>	Šipovo	Sapna
<i>Gradačac</i>	<i>Prozor/Rama</i>	<i>Vukosavlje</i>	<i>Široki Brijeg</i>	Šekovići
	<i>Rogatica</i>	<i>Živinice</i>	<i>Trnovo</i>	Vitez
			<i>Visoko</i>	Vareš
				Žepče

GAP provides material assistance (in-kind contributions and co-financing of capital funds projects) and technical assistance to its partners, regulated through individual agreements - memoranda of understanding (MoUs) for all municipalities, municipal action plans (MAPs) for legacy municipalities and Cohort 3 municipalities, and scopes of work (SoWs) and hand-over certificates<sup>3</sup> for Cohort 4 municipalities.

The development of CSCs and UPCs is the flagship of GAP’s Local Intervention component for new partner municipalities, as the development of the centers also

<sup>2</sup> Italics indicate CIP municipalities

<sup>3</sup> The hand-over certificates acknowledge the transfer of the in-kind contribution, i.e. hardware, software, from GAP to the municipalities.

incorporates reforms to improve administrative services such as modernization of urban permitting procedures and planning.

GAP also works to improve administrative, budget and financial management and contribute to the efficiency and transparency of the budgeting process of partner municipalities. For new partner municipalities, these activities include the development of automated financial and human resource management systems, publication and distribution of the updated *Budget and Finance Guide for Municipalities in Bosnia and Herzegovina*, the new *Simplified Budget Guide*, for municipal councilors/assembly members and the public and *Preparing a Citizens Guide to the Budget*. All municipalities receive assistance to improve own-source revenue collection, including the development and analysis of municipal revenue profiles, gender-responsive budgeting, as well as assistance in budgeting in a period of financial stress in response to the worldwide economic slowdown.

Finally, GAP has developed and introduced mechanisms for capital improvement planning to improve transparency and information in support of participatory decision-making. GAP co-finances the high priority projects identified through a participatory process with partner municipalities by cooperating with local government citizens' bodies, known as capital improvement plan coordination teams, in both CIP and non-CIP municipalities. Forty-eight legacy municipalities, highlighted in italics in Table 1, have signed co-financing agreements for capital funds projects. Through this co-financing, municipal borrowing will be leveraged in support of the development of the municipal borrowing market. These activities are discussed in greater detail in this section, as well as the description of cross-cutting activities. GAP is also taking steps to ensure that gender considerations are made integral to capital budgeting, and assisting municipalities in the execution of the annual budget through IABS.

This work plan covers activities in both legacy and new partner municipalities. As noted, in addition to assistance to Cohort 4, activities will continue in legacy municipalities, as well as follow-up assistance in Cohort 3 municipalities. Activities will build upon previous improvements to promote and monitor the adoption and application of implemented GAP assistance, as well as new assistance through the demand-driven MAP process, as described in more detail in a separate section.

## **What's New / Lessons from Years 1 and 2**

This third year work plan follows the general direction set in the previous years' work plans for the Local Interventions component, and incorporates the experience gained throughout implementation of the project thus far. The overall timetable and structure was set in the second year work plan – legacy municipalities receive assistance primarily through the MAP and capital projects co-financing/CIP training, and the new partner municipalities (Cohorts 3 and 4) initially receive core assistance followed by demand-driven MAP assistance.

In the area of technical assistance to municipalities, although previous work plans anticipated direct assistance in improving public expenditure management, this work was expanded in Year 2 to incorporate a new set of activities focusing on training municipalities in methods to operate under constrained revenues, including strategies to reduce expenditures and increase revenues.

A novelty in the Year 2 work plan -- the use of EU methodology in implementing MAP and CIP programs -- is now a common approach in GAP's assistance and was triggered by the ever-present hunger for more information on EU methodology. In year two, GAP collaborated with SNV and UNDP to provide training programs on this methodology to partner municipalities. This year's work plan attempts to build on this cooperation and raise standards for project proposals, bringing municipal staff capacity closer to the level necessary to apply for EU funding. This approach also provides the added benefit of higher quality overall project management within municipalities.

Fuller elaboration and development of the CSC concept will continue in Year 3, with training on customer service improvements through regional workshops and compliance assurance through ongoing performance audits. GAP will build on the developing awareness of the importance of a customer orientation and assist municipalities in applying this concept to other municipal services outside of the CSCs. The greatest potential for expansion in customer service proved to be in the area of vital records sharing where GAP has provided partner municipalities with critical equipment for data exchange security. Not only will this dramatically improve customer service when completed, it will also begin to open the door to e-government improvements, with GAP partner municipalities leading the way. It will also contribute to achieving standards required in order to relax the Schengen visa regime for BiH citizens.

Finally, CIP assistance is also advancing to take into account improved skills developed through the MAP program in legacy municipalities. Due to the substantial membership overlap between MAP working groups and CIP coordination teams in partner municipalities, GAP is able to build on the project management methodology used in the MAP that is based on a simplified EU project cycle management methodology, initiating training at a higher level than otherwise possible.

## **Risks and Assumptions**

Despite the strong partnerships formed between GAP and its mayors, there is always a concern that a change in leadership or political problems could affect municipal ability or willingness to co-finance the MAP or CIP. Indeed, at the time of this writing, political challenges still persist in Cazin where the Municipal Council is not yet formed due to political problems and therefore MAP has not been adopted. In Mostar, a mayor has not been elected, hence no budget adoption and a freeze on any GAP-related spending. Apart from these two examples, there were no other political challenges experienced by GAP due to the local elections held in the first year. Therefore, the general elections to be held during GAP's third year are not expected to present an insurmountable challenge at the local level and with local interventions.

Economic conditions remain the major source of risk and uncertainty for municipalities. The Local Interventions component will continue to tailor its assistance to those economic conditions. However, our fundamental assumption is that municipal finances will remain sound enough to enable their participation in GAP in terms of staff time, co-financing, and other essential resources. In turn, GAP will also continue to be sensitive to limitations on local resources and plan events accordingly.

Of greater concern is the potential indirect effect of revenue shortfalls at higher levels of government and the consequential impact on fiscal decentralization; this will likely prove a real test of the laws on local self governance in both entities. Preserving the fiscal

independence of local governments may prove to be a major priority of the policy component of this project, and could have direct and immediate impact at the local level.

Issues remain with the RS treasury system and its compatibility with the IABS installed by the project. For RS municipalities to progress further in budgeting and finance, integration of IABS and the treasury system of the RS is needed. GAP will assist Oracle and the IABS provider in the process of software integration and continue to ensure IABS is adaptable to function as a municipal treasury software although this remains a great challenge given the centralized nature of the RS treasury system. Meanwhile, there are several examples of the separate modules of the IABS being used in parallel with the RS treasury which is not the best, but the solution found by our municipal partners to be appropriate for their daily operations.

In addition, transition to the treasury system will be an issue in FBiH. GAP will continue to work to assure that this does not mandate a specific software solution as GAP's latest fiscal software will support the treasury system.

## **The Municipal Action Plan (MAP) Process**

The Municipal Action Plan (MAP) is a set of assistance projects selected by municipalities for implementation with GAP's assistance. The process is described in detail in previous work plans, in the period covered by this work plan, GAP will complete implementation of the MAP projects in the 41 legacy municipalities following this methodology and with timelines developed jointly between GAP and partner municipalities.

Implementation of MAP projects will commence in Cohort 3 municipalities in the period covered by this work plan. Cohort 4 will begin the MAP process in the period covered under this work plan, as well, following GAP's core assistance. Applying the MAP methodology as developed, GAP will help Cohort 4 identify their own priorities and assist in monitoring their progress toward achieving their targets.

**Counterparts:** Municipal staff, mayors, Municipal Councils or Assemblies, NGOs, business representatives, and citizens.

**Resources:** GAP staff, local/regional and international STTA, handbook reproduction and training costs, reform-enabling material assistance of up to \$60,000 per municipality, co-financing by beneficiaries of at least 10% of consultant costs.

### **Schedule:**

- |                 |   |
|-----------------|---|
| Jan - Mar 2010: | Preparation and JMC approval of individual scopes of work covering all MAP projects for Cohort 3 municipalities.  |
| Jan – Dec 2010: | MAP project implementation in legacy municipalities.  |
| Mar 2010 – on:  | MAP project implementation in Cohort 3 municipalities, including providing one-on-one training and training materials on monitoring and evaluation, public participation and awareness programs, procurement and management of consulting services, project development and project cycle management. |

- May 2010: MAP process presented to the 16 Cohort 4 municipalities; Municipal MAP working groups established; introductory training to MAP working groups on MAP process provided
- July 2010: In consultation with community stakeholders and in coordination with the municipal council or assembly and through review of current strategic plans, the working group will develop or identify an initial list of potential MAP projects for public review and discussion.
- Aug 2010: Working groups will present an unranked list of potential assistance areas, assuring broad public participation through surveys, focus groups, public hearings or similar, and based on that input rank projects and finalize the MAP for presentation to the mayor and municipal council or assembly.
- Sep 2010: Working groups conduct situational analysis on their respective service areas and specify outcomes the municipality wants to achieve, outputs/activities necessary to achieve these outcomes and preliminary cost implications, and develop indicators to monitor and track progress.
- Sep - Oct 2010: Municipal Council or Municipal Assembly publicly debates and approves MAP (milestone); GAP helps municipality conduct promotional campaigns for MAP.
- Dec 2010: Working groups develop action plans designed to achieve targets—actions that carry both a fiscal and non-fiscal impact; where relevant, MAP activities are incorporated into budget and CIP development process. Working groups also begin to identify data collection methods for monitoring performance on MAP priority area indicators; collect data; establish baselines and set targets for improvement.
- Jan 2011: Signing SoW referencing the MAP (covering all activities), followed by donor approval; beginning of MAP project implementation.

### **Sub-Component A: Improving Service Delivery in Legacy and New Municipalities (KRA 1.1)**

The first part of the shared commitment of GAP and its partner municipalities is “to dramatically improve the ability of municipalities to serve their citizens.” This improvement focuses on a core assistance package in customer service through establishing CSCs and UPCs. During the third year of implementation core assistance related to establishment of CSCs and UPCs will be completed in Cohort 3 and 4 municipalities. The main focus will be the monitoring of assistance package usage by performance audits and through the promotion of best practices within the municipalities by CSC coordination meetings and the continuous work of the municipal Urban Permitting Advisory Boards. Areas of service improvements will be tailored to individual municipal needs through the MAP process.

## **Activity A.1: Building Municipal Citizen Services Centers (CSC) and Urban Permitting Centers (UPC)**

### **Activity objectives:**

- *Establishing and/or improving municipal CSCs and UPCs to better serve local citizens*
- *Through process re-engineering, reducing the time needed for municipalities to provide municipal administrative services*
- *Increasing the percentage of citizens satisfied with municipal service delivery*
- *Enabling local ownership and sustainability of new, citizen-oriented practices by the municipal administration*

**Rationale:** Municipal administrations in BiH have traditionally not been service oriented: obtaining simple information, a license or a form can be a cumbersome, lengthy and frustrating process. This lack of efficiency and transparency not only frustrates the development of democratic institutions and functional decentralization, it hinders economic development, fosters tax and fee evasion and encourages the development of the grey economy, becoming an obstacle to both economic and social development.

### **Approach:**

In GAP's third year, assistance will be finalized in Cohort 4 municipalities. The final four CSCs are expected to open by May 2010, meaning that of the four stages -- (1) preparation, (2) initial assessments and design, (3) implementation, and (4) continuous support and improvement – only the last two are scheduled in this work plan. These phases were discussed in the first year work plan and are described in detail in GAP's *CSC Manual* and *Manual for Improving Urban Permitting Procedures through Permit Centers (UPC Manual)*.

In addition to all of the work necessary to develop and establish CSCs and UPCs, GAP will organize regional workshops on topics such as complaint procedures, community outreach, internal communication, the municipal IT system, and the role of the advisory board. These workshops are aimed at enhancing horizontal communication among GAP partner municipalities, establishing a base for the exchange of sound municipal practices, addressing ongoing issues in the day-to-day work of municipalities, and improving overall municipal performance.

**Results:** A Citizens Service Center (and an Urban Permit Center) will directly:

- Decrease waiting times for permits, licenses and other services, increasing the responsiveness of service delivery;
- Improve the resolution of complaints (tracked by the municipality as a performance measure);
- Rationalize processes to make them easier to understand and more transparent for citizens and businesses;
- Improve efficiency and effectiveness of internal communications and processes and reduce costs; and

- Introduce a customer-service orientation throughout the departments of the municipality.

Partner municipalities will have the ability and motivation to constantly evaluate and improve business registration and permitting procedures and have contacts with external institutions (e.g. utilities) involved in daily tasks. They will become more skilled in the use of information technology and ready and able to train and present information on best practices to non-GAP municipalities through peer mentoring.

In those municipalities in which some form of CSC/UPC has previously been established, GAP will provide added value through additional technical assistance and by working with them to improve information flow and enhance service capacity to bring these municipalities to GAP standards. As a direct result from this, increased percentage is recorder of the citizens satisfied with municipal service delivery in these municipalities.

**Link to Year 2 work plan:** Most activities as planned in Year 2 are occurring on schedule. However, limitations in procurement by municipalities, specifically too few bidders forcing delays, appeals, or new construction time and cost overruns have delayed a few CSC completions slightly. However as most of the construction work and procurement tasks are completed, further delays in Year 3 are not expected.

**Counterparts:** The municipal council or assembly, mayor and mayor’s representative, CSC working group, community members through the advisory board.

**Resources:** GAP staff, legacy municipality staff and local STTA, computer hardware and software, training materials.

**Schedule:**

*Cohort 4:*

- |            |  |
|------------|--|
| May 2010:  | All software developed and installed; CSC staffing and training of municipal staff, CSC/UPCs operational.  |
| June 2010: | All Cohort 4 CSC/UPCs opened; Establishment of the CSC Advisory Board; Raising community awareness of CSC. |
| Ongoing:   | Performance audits; promotion of good practices.   |

**Activity A.2: Urban Planning and Permitting**

*Activity objectives:*

- *Diminishing the time and unnecessary procedural requirements for urban, construction and land use permits*
- *Increasing transparency and participation for citizens and the business community within planning and permitting procedures*
- *Improving zone planning*
- *Performing all aspects of the municipal planning and permitting procedure in line with internationally recognized standards*

- ***Increasing local professionals' capacity in new IT technologies (GIS) and planning techniques (zoning) and customer-oriented service***

**Rationale:** Permitting procedures in BiH are regulated by a complex and often outdated or inconsistent set of laws and regulations. Such a regulatory framework and consequent administrative practices are not adjusted to modern standards and expectations of citizens or investors. Reforms have so far been hampered by a complex hierarchy of legislation at entity and cantonal levels. These inefficiencies in urban management practices are a legacy of the prewar system and the failures of the reform process since.

**Approach:** Technical and material assistance under this activity will be delivered according to the methodology discussed in detail in GAP's *Manual for Improving Urban Permitting Procedures through Permit Centers (UPC Manual)* and the first year work plan. This assistance will continue to be provided to Cohort 3 and 4 municipalities.

Urban permitting and planning procedures will be improved by assistance in several parallel segments: reengineering of internal and external administrative procedures, introducing zoning as a new planning methodology, introducing GIS as an urban land management technical tool, and increasing service quality by establishing a UPC. Technical and material assistance is tailored to each particular municipality in order to determine the appropriate UPC model. The model (or level of complexity) which will be selected is based on the size, demand and the municipality's capacity for absorption of assistance. GAP will continue to promote improvements in the urban planning and permitting process within the *existing* legislative framework while, at the same time, conveying recommendations for reform to the GAP policy team and other projects as well as working to implement these reforms once adopted. These potential future reforms include a unified model GIS for urban land management information system (ULMIS), presuming adequate progress has been made by other projects working in this area.

**Results:** Information on urban, construction and land use permits will be easily accessible for all citizens and the time and procedures needed for urban, construction, and land use permits will be significantly reduced. Opportunity for and risk of corruption will be reduced, a mechanism for permanent simplification of procedures will be established and simplified construction and use permit procedures will contribute positively to the local business environment. IT management will be improved by enabling a reviewer's direct access to the permit center, allowing review of procedures for specific types of applications.

**Link to Year 2 work plan:** Most activities as planned in Year 2 are occurring on schedule. However, GAP has adjusted the timeline for completion of Cohort 4 UPC activities in Year 3 to reflect more realistic goals, as compared to timelines in year 2 concerning procurement and delivery of software, digitalizing of existing spatial planning documentation and loading data into the UPC server.

**Counterparts:** Municipal staff, local/cantonal/entity level agencies and institutions (i.e. Urban Institute, Ministries for Spatial Planning etc.)

**Resources:** GAP staff, local or regional STTA, handbook production and training costs, computer hardware and software, other internationally sponsored reform projects

*Legacy municipalities (where part of MAP):*

Sep 2010: Digitalizing of existing spatial planning documentation (scanned or digitalized) and transforming it to the zoning and GIS to enable electronic permitting; preparation of information and publications for UPC.

End 2010: Complete loading data into the Urban Permit Center server with link to other institutions and government level processes; direct assistance completed.

*Cohort 3:*

Jan-Dec 2010: Continue loading data into the UPC server and link to other institutions and government level processes.

*Cohort 4:*

Jan - Apr 2010: Link to other institutions and government processes; Establishment of the UPC Advisory Board.

Jan - Apr 2010: Delivery and installation of hardware and software, software training; Reorganization of urban department.

Jan - May 2010: UPCs operational; Promotion of the UPC, monitoring and assessment of work commences.

Jan - Sep 2010: Digitalizing of existing spatial planning documentation (scanned or digitalized); Installation of CAD/GIS software; training, preparation of information and publications.

May – Dec 2010 Loading data into the Urban Permit Center server. Link to other institutions and government level processes through UPC Advisor Boards establishment; UPCs fully operational.

## **Sub-Component B: Improving Administration, Budgeting and Financial Management in Legacy and New Municipalities (KRA 1.2)**

Complementing GAP's work in the policy area to develop a legal framework conducive to increased local budgetary autonomy and revenue predictability, GAP will also work in local interventions to strengthen budgetary ability and local administration. Past years' activities will be expanded upon, and a new activity added to help prepare municipalities for budgetary challenges attributable to the worldwide recession.

GAP's work in budgeting is contained in five separate activities: (1) implementation of IABS; (2) development of budgeting reference materials; (3) own-source revenue enhancements, (4) enhanced budgeting; and (5) public financial management. While activities 1 - 4 are continuation of the activities of the Year 2 work plan, with an eye towards sustainability with both 2 and 3, the last is a new set of activities focusing on training municipalities in methods to operate under constrained revenues, including strategies to reduce expenditures and increase revenues, building on workshops held in Year 2, and including an evaluation of the possibility of creating a finance officers' association (like GFOA in North America).

## **Activity B.1: Integrated Accounting and Budgeting Software (IABS)**

### **Activity objective:**

- *To significantly improve municipalities' budgeting and financial management through both IT solutions and technical assistance*

**Rationale:** There is a continuous need for improvement of budget development and execution, in order to meet new public sector accounting standards, raise and monitor the collection of local revenues, and to measure the true cost of services for the purposes of budgeting. The first stage in so doing is to be able to obtain reliable, useful, and timely information on budgets, revenues and expenditures. Accurate, efficient and user-friendly software solutions for accountancy and finance constitute a crucial tool in such an endeavor.

**Approach:** Assistance for legacy and Cohort 3 municipalities, who received IABS software and are considered experienced users, will be focused on helping them to use the software to its full capacity. Therefore, a selective approach will be applied. Some of the municipalities are using nine modules (all IABS modules except Cost Accounting), and are considered advanced users. They are capable of recording all financial transactions on daily basis, and providing reliable financial reports whenever needed. For various reasons, some municipalities have not yet reached the level of full IABS use. GAP will monitor and assist those municipalities in order to efficiently use installed software. In the period covered by this work plan, GAP will closely monitor Cohort 4 municipalities to ensure IABS is used to its full extent.

GAP will continue to work on further IABS software improvements, including adaptations needed to incorporate any law changes. Furthermore, GAP will continue to ensure IABS is adaptable to function as municipal treasury software. GAP will also work on the integration of an IABS and the treasury system in the RS. GAP will assist Oracle and the IABS provider in the process of software integration.

**Results:** GAP partner municipalities have modern, formalized, and, to the extent possible, uniform IABS in place. Municipal finance offices produce more transparent budgets and will start recording each transaction using all prescribed budget classifications (organizational, economic, functional and fund) in accordance with the budget laws. Increased efficiency of work in the finance department (IABS) leaves extra time for important analysis and cost accounting which will be performed by the finance department and ensure appropriate decision making based on realistic financial data. More stable budget plans based on realistic revenue collections. IABS provided by GAP is easily adaptable to function as municipal treasury software once the legal requirements are in place. Municipalities have a module for cost accounting as well as the IT tools and the system groundwork laid for introduction of a treasury system.

**Link to Year 2 work plan:** With IABS introduced in the newest GAP partners, activities as planned in Year 2 are occurring on schedule. This work plan covers follow-up and monitoring activities, as well as treasury activities related to Cohort 4.

**Counterparts:** Municipal staff, ministries, local/cantonal/entity level external agencies

**Resources:** GAP staff, software and hardware, legacy municipality staff and local or regional STTA, handbook reproduction and training costs, other donor projects

**Schedule:**

- Jan 2010 on: Monitoring of IABS use, maintenance and implementation.
- Ongoing: Conduct one-on-one training in the process of improving revenue reports.
- Ongoing: Give verbal and written direction to IABS vendor in developing software interfaces, enabling data exchange across different software platforms.
- Ongoing: Ensure adequate training is available to municipalities in the period of transition towards establishment of municipal treasury system either through GAP or through the IABS vendor (treasury linkage incorporated into last version of IABS).

**Treasury linkage:**

*Cohort 4:*

- By Jan 2010: All IABS installations completed; monitoring of use, maintenance and implementation commences.
- May 2010: One-on-one training in the process of improving revenue reports completed.
- May 2010: Verbal and written direction to IABS vendor in developing software interfaces, enabling data exchange across different software platforms completed.
- Sep 2010: Incorporate linkage between IABS and treasury system for GAP IABS municipalities for 2011 budget year; training to municipalities completed.
- Oct 2010: Set of regional workshops for IABS user-groups – exchange of experiences in using advanced features of the system.

**Activity B.2: Improve Budgetary Information for Municipalities**

**Activity objectives:**

- *To improve the availability of budget-related reference information for municipal finance departments*
- *To improve the budgetary process and public participation through better information distribution*

**Rationale:** Public financial management requires current and adequate reference information relating to the preparation process, legal requirements and best practices. In 2005, GAP and OSCE provided all BiH municipalities a comprehensive, easy-to-use budget and financial management guide. As the guide had become somewhat outdated, GAP produced and distributed an update in 2008 consisting of revisions to nine chapters.

As part of second update process, GAP added a chapter on the municipal treasury system in the Federation and distributed it through the Municipal Associations.

In 2008, GAP also prepared a simple budget guide and a training module for municipal councilors, businesses, NGOs, and the general public. The guide has been distributed to all municipal councils through the Municipal Associations. Upon request of the Municipal Associations, additional copies of the guide were printed and redistributed to BiH municipalities in 2009.

In 2009, GAP developed a guide for the production of individual municipal citizen guides on budget, distributed it, and provided training to each partner municipality in this segment.

Although producing manuals is not enough to improve the budget process in and of itself, these manuals provide excellent resource material for incorporation in training programs and are usually followed by training modules.

**Approach:** Although GAP worked intensively in the previous period on transferring the ownership of both guides to the two Municipal Associations, and although verbally this process has been completed, GAP still recognizes a need for strengthening associations' interest and capacity in keeping the reference guides up-to-date. GAP will continue reviewing all chapters of the guide and responding to municipal needs as they arise. GAP plans to also encourage, however, a more active role on the part of Municipal Associations in this process. Municipal Associations will be asked to proactively initiate new chapters to the guides in order to foster ownership, and will later be offered complete ownership and control of these guides. As GAP also will work to establish finance officers associations within the municipalities, these associations may be the vehicle for ongoing update of these guides.

GAP's intention is to continue cooperation with both Associations in the improvement of municipal budgetary information, and to do municipal needs assessment in February 2010. Based on the results from the assessment, GAP will, together with both Associations, provide an annual action plan on necessary updates and eventual production of necessary training modules.

Development and distribution of the new chapters should take place by September 2010. This timeframe will allow enough time for municipal finance staff to adopt new knowledge, and make necessary adjustments in the planning process, prior to the heavy budget-preparation workload in the fall. For long term sustainability, ownership of the guide will need to be transferred to an outside agency, likely the Municipal Associations.

Following the general training on how to prepare citizens guides to the budget provided by GAP in 2009, GAP will work with several selected municipalities in Year 3 to prepare their individual citizens guides to the budget. These municipalities will then share their experiences with other partner municipalities.

**Results:** Increased understanding of the budget process by municipal councilors and the general public and improved transparency through better access to budget materials; up-to-date reference materials fully responsive to the needs of budget specialists in municipalities; strengthening of Municipal Associations through their ability to add additional value to their members; and better citizen participation in the budget process.

**Link to Year 2 work plan:** In Year 2, GAP produced a treasury chapter of the Budget and Finance Management Guide for Municipal Officials and organized its distribution together with the Federation Municipal Association.

**Counterparts:** Municipal staff, Municipal Assembly/Council members, ministries, local/cantonal/entity level external agencies and institutions, NGOs and other public groups.

**Resources:** GAP staff, local STTA, other donors, document reproduction costs

**Schedule:**

Jan - Dec 2010: Regular meetings and discussions with the Municipal Associations on budget guide implementation.

Feb 2010: Assessment of the needs for additional chapters to be developed (in conjunction with the Associations of the Cities and Municipalities).

June 2010: Development of new chapters based on municipal needs and Association requests.

Sep 2010: Distribution of the new chapters to municipalities (through the Associations), training in use of the new Chapters. Transfer ownership of the guides to the Associations or agency as possible.

### **Activity B.3: Optimization of Municipal Own-Source Revenues**

**Activity objective:**

- *To significantly increase own source revenues in GAP partner municipalities while at the same time reducing reliance on inappropriate fees or charges*

**Rationale:** Most municipalities in BiH suffer from serious resource constraints; many cannot provide even for basic services that meet acceptable standards, let alone fund necessary capital improvements. At present, BiH municipalities have virtually no taxing power, although they do have the authority to create and set some administrative and communal fees.<sup>4</sup> These fee resources could be better utilized, both in rates and in collection, improving the financial outlook of municipalities, preventing the indirect subsidization of services, and limiting opportunities for rent seeking and corruption. Improving the collection of these revenues would significantly increase municipal own-source revenues, which is especially important should there be a decline in revenues from other sources.

**Approach:** GAP will continue close cooperation with partner municipalities in this segment. Building upon two sets of workshops on revenue optimization held in 2009, GAP will work with municipalities on strengthening relevant internal procedures within

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<sup>4</sup> Examples of this authority include the creation of fees for the development and use of construction land and the rental of municipal property.

local administrations. This will be done through on-site visits and exchange of best practices and good examples from more advanced municipalities.

Further, based on the assessment of the situation within municipalities, and all information gathered from these on-site visits, GAP will update the prioritized list of law changes needed to improve the collections of municipal own-source revenues. This information will be provided GAP's policy team and the Municipal Associations to help guide their policy reform efforts.

Following practices from the earlier years, GAP will update the municipal revenue profiles using budget execution data from 2009. These profiles have proven to be a good base for further analysis of the current situation in each municipality, and provide excellent context for understanding what exactly is happening and why.

In addition, GAP will continue monitoring municipal own-revenue collections in its partner municipalities, based on quarterly, annual, and in some cases monthly execution reports in order to take corrective actions at the municipal or an even higher level in a timely manner.

Finally, GAP will explore simplifying the analysis so as to be able to transfer this process to the Municipal Associations to allow them to provide this service to their members. The current spreadsheet-based program is extremely complex; it may be possible to simplify and redesign, especially given the availability of electronic data from the new FBiH revenue database.

**Results:** Municipalities will be better able to make educated decisions on revenue planning, revenue collection and legal requirements on expenditure of fee revenue. Municipalities will increase their own-revenue generation by at least 25% (as measured in total own-revenues) by the end of the fourth year of the project. Municipalities will improve their creditworthiness and increase their ability to fund necessary capital expenditures.

**Link to Year 2 work plan:** In Year 2, municipalities received updated municipal revenue profiles covering 72 municipalities for four years (except Mostar). This segment is a continuation of Year 2 efforts, expanding the data set to include measures of capacity following personal income tax reform in FBiH (RS changes are already effective).

**Counterparts:** Municipal staff, mayors and municipal council members

**Resources:** GAP staff, local, regional and/or international STTA, training materials

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|-----------------|--|
| Jan – Dec 2010: | Through individual meetings, continue to identify best practices and share with other municipalities. Identify law changes necessary to improve the collection of own source revenues and communicate to Municipal Associations. |
| Jun 2010:       | Begin input of 2009 data, including personal income tax data.  |
| Aug 2010:       | Update of municipal revenue profiles to include 2009 data and expansion of information to include measures of relative capacity.   |

Sep 2010:	Analyze current program for preparing profiles and determine whether it can be simplified without excessive loss of functionality and transferred to Associations.
Oct 2010:	Present results to partner municipalities at the regional workshops in activity B.4.
Oct 2010:	If transfer is possible, explore possibility of transfer with Associations.
Ongoing:	Monitoring of municipal own revenue collection based on quarterly/annual execution reports in order to take corrective actions in a timely manner.

## **Activity B.4: Advanced Budget Preparation and Public Information**

### **Activity objective:**

- *To improve the management of public funds and efficiency of resource allocation and, consequently, the overall quality of municipal governance in BiH*
- *To increase citizen involvement in the budget process and build public support for municipalities and democratic governance*

**Rationale:** The development, adoption, and execution of the annual budget is the most important activity any government undertakes on a regular basis (as the former Chair of the U.S. Senate Budget Committee once stated: “Budgeting *is* governing”). However, budgeting at the municipal level in BiH much more a closed and mechanical accounting exercise than the participatory setting of overall community priorities it should become and that good governance would require. Current municipal budgets are complex in their format, opaque in their assignment of priorities, likely inefficient in their resource allocation, and tell the reader (citizen, NGO, or municipal councilor or assembly member) almost nothing about what results are sought or achieved. No one can be held accountable for poor budgetary performance, as no one can easily determine what performance is intended.

Further, the worldwide economic recession will, if not met with improved budgeting skills, result in arrears, deficits, understaffing, and overall deterioration in municipal government services. The current fiscal tools available to municipal staff to manage these budgets are not adequate in such a context. In good economic times, incremental input-based budgeting can produce working, albeit inefficient, budgets, but this process breaks down when confronted with serious revenue reductions.

**Approach:** First, GAP will continue working with the trailblazers selected in 2009, and building on the training already provided continue with a one-on-one approach. The trailblazer municipalities will be asked to convert their (soon prepared) 2010 budget to a program budget format, as well as develop rudimentary citizens’ guides to the budget. Following, GAP will provide key municipal staff training in Summer 2010, and will ensure that different roles and responsibilities in the budget process are clearly understood. With this approach, these municipalities will increase their ability to produce program budgets and accompanying performance indicators using a fully participatory

approach. Once these budgets are completed, representatives from the municipalities will share their experiences in a set of regional workshops that is to be held in Fall 2010.

Second, in October 2010, GAP will conduct a set of advanced workshops for all partner municipalities and provide hands-on training in improvements to the budget process using programmatic information and basic performance measurement and reporting. Practical experience will be provided by trailblazer municipalities, applying new information in budget preparation through enhanced submissions by budget users

**Resources:** GAP staff, local, regional and/or international STTA, training materials, training sessions, other donors (UNIFEM, DfID SPEM3, UNDP, OSCE).

**Results:** Municipalities will have an increased understanding of improved budgeting methods and communication of this information to the public, resulting in more efficient and effective resource allocation.

**Link to Year 2 work plan:** In Year 2, GAP identified a set of trailblazer municipalities and provided them additional assistance in budget preparation, specifically in advanced budget methods such as program budgeting. GAP also provided training on preparation of a citizens' guide to the budget.

**Schedule:**

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|---------------|---|
| Jan-May 2010: | One-on-one on-site support and training for the trailblazer municipalities enabling presentation of the 2010 budget in a simple program format and preparation of a simple citizens' guide to the budget.   |
| Jun-Jul 2010: | Support for each trailblazer municipality on the budget process for other key staff that will be involved in budget preparation or implementation and/or monitoring process (i.e. heads of departments and municipal councilors). This training is also to provide information on different roles and responsibilities in the budget process enabling results-oriented budgeting based on performance measures. |
| Oct 2010:     | Regional workshops for all GAP municipalities on the budget process with practical experience provided by trailblazers, applying new information in budget preparation through enhanced submissions by budget users.  |
| Nov 2010:     | Finalization of improved budgets in all municipalities.   |

**Activity B.5: Improved Public Expenditure Management**

**Activity objective:**

- *To assist municipalities in improving expenditure efficiency in light of ongoing budgetary problems.*

**Rationale:** The worldwide economic crisis has, by some measures, affected BiH governments more severely than other countries in the region. As noted, BiH municipalities (like most local governments worldwide) were not well-equipped to respond to this dramatic slowdown both in terms of financial reserves and in capacity to

restructure and reprioritize expenditures. This problem was exacerbated by the slow recognition that the financial crisis would affect BiH. As a consequence, many municipalities (especially in FBiH) will end 2009 with a deficit. All will face extreme resource constraints due both to limited revenue growth (estimated at around 2-3%) and, as a consequence of the budget re-balancing strategies employed in 2009, deferral of essential expenditures, fund balance draw-down, emergency sales of property, and so forth.

Long-term expenditure restructuring can only be implemented through the budget process (and over several cycles); GAP's work in this area is detailed in the above two activities. This activity, however, will focus on fiscal exigencies that will require immediate savings in 2010 (and increased local revenues where possible, as in Activity B.3).

**Approach:** GAP will review current practices in expenditure reduction and options available to partner municipalities, including increased energy efficiency, cost containment, performance and efficiency analysis and audit, contracting and outsourcing, providing savings incentives and others. Following this analysis, GAP will prepare materials for a set of regional workshops like those held in 2009, but focusing on more immediate cost savings. GAP will also coordinate with other donors to identify other possible participation. These workshops will be held in late spring 2010; the target audience is both finance directors and directors of administration. At this same time, GAP will also explore the creation of finance officers associations within the Municipal Associations.

**Results:** GAP municipalities will be able to operate more efficiently, reducing costs without excessive negative effects on service delivery.

**Link to Year 2 work plan:** This is a new activity, although partially a follow-on to GAP's regional workshops for finance directors in 2009.

**Schedule:**

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|---------------|--|
| Jan-Mar 2010: | Prepare materials for municipalities on operating under constrained resources, including strategies to reduce expenditures or increase revenues (latter linked with B.3, above).   |
| Apr-May 2010: | Set of regional workshops for all GAP municipalities on managing under revenue constraints using these materials and others. Additional discussion on creation of finance officers association(s) within the Municipal Association(s), |
| Jul 2010:     | Evaluation of workshops and review of the need for additional work in this area, including the potential for creation of finance officers associations; report to JMC on need for further action.                                      |

## Sub-Component C: Increasing the Capacity of Municipalities to Administer Capital Improvement Projects (KRA 1.3)

### Activity C.1: Capital Improvement Planning

#### Activity objectives:

- *A substantial number of Cohort 4 municipalities actively creating, implementing, and updating multi-year strategic capital improvement plans by the end of the project*
- *Ratio of capital outlays to operating expenses increased by an average of 10 % by the end of year four<sup>5</sup>*

**Rationale:** At present, most of GAP Cohort 4 municipalities do not have the means of ensuring a participatory planning process and orderly implementation of capital projects, a situation similar to that previously existing Cohorts 1, 2 and 3. As demonstrated in all GAP CIP municipalities,<sup>6</sup> for communities to budget sustainably and adequately plan for future needs. It is essential that they take into account necessary capital costs through a capital improvement plan (CIP). Such plans allow for coordination between the annual budget and capital budgets, allow capital projects to be evaluated and prioritized, and provide an opportunity for public input into public investments.

**Approach:** In 2010 GAP will work with the sixteen (16) Cohort 4 municipalities and will undertake an assessment of their capacity to implement CIP methodology as well as review the remaining eight non-CIP legacy and Cohort 3 municipalities. Those municipalities that are found to be limited in capability or financial resources or who are unwilling to invest the resources necessary to become CIP municipalities will be assisted in a somewhat different fashion, by establishing teams to ensure a participatory process in assessing the needs and proposing projects for implementation, with efforts to ensure sustainability of this process. Those Cohort 4 municipalities or remaining legacy municipalities that are assessed as good CIP candidates will follow the same full approach as the 48 legacy CIP municipalities in their development, as discussed below.

In addition to these activities, GAP will continue monitoring the progress of the Cohort 3 municipalities to ensure they remain current and continue to comply with this methodology as well as continue to assure that this methodology evolves in response to the legal and administrative context as well as to become more closely aligned with EU standards to facilitate access to other funding sources.

The following is the set of activities tailored for new CIP partner municipalities. Note that the list is not necessarily sequential, and some activities may occur simultaneously.

- A. Assessment of the all Cohort 4 municipalities;
- B. Assessment of all Cohort 1, 2 and 3 non CIP municipalities

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<sup>5</sup> As measured by analysis and comparison of annual municipal execution reports from year zero (2007) to year four (2011).

<sup>6</sup> At present, there are 48 CIP municipalities out of 56 legacy and Cohort 3 municipalities.

- C. Presentation of the CIP concept and methodology to newly selected CIP municipalities;
- D. Adoption of the relevant formal procedures and rulebooks by municipalities;
- E. Establishment, training and monitoring of the CIP Coordination teams;
- F. Implementation of the CIP monitoring charts and procedures described in the CIP manual;
- G. Monitoring of the old CIP municipalities.

For an individual municipality, it is anticipated that the full cycle, from “Step A” through “Step F,” will take approximately 10 months. In January 2010, GAP will start working on these CIP activities with the Cohort 4 municipalities, when the first assessments will take place.

**Results:** Municipalities that demonstrated capacity and interest in becoming CIP municipalities are fully trained and have institutionalized CIP methodology, resulting in adoption of a five-year CIP by the end of 2010; current CIP municipalities continue to update their five-year plans.

Ultimately, all municipalities have significantly increased their capacities in project proposal writing, environmental issues, and have a better understanding of conditions and criteria of EU pre-accession funds. Overall, BiH municipalities are successfully identifying, prioritizing, and planning strategically for capital investments.

**Link to Year 2 work plan:** Continuation of work began in Years 1 and 2 (and GAP1) for Legacy and Cohort 3 municipalities.

**Counterparts:** Mayors, councilors, Coordination team members

**Resources:** Capital projects team, STTA

**Schedule:** GAP will continue to work on institutionalization of CIP methodology as developed in its partner municipalities according to the following schedule and following the activities listed below. This schedule is written to be consistent with the capital projects co-financing schedule of activities presented under activity C.4, below.

*Cohort 4 and all other non-CIP municipalities:*

Mar 2010:	Assessment of municipalities
Apr 2010:	Presentation of the CIP concept and methodology to newly selected CIP municipalities and initial training.
May 2010:	Institutionalization of the relevant formal procedures and rulebooks by municipalities.
Jun 2010:	Mayor’s orders on application form, implementation team, and coordination team composition passed.
Oct 2010:	Establishment, training and monitoring of the regular work of the CIP coordination teams.
Dec 2010:	Regional capacity-building training.

*All GAP CIP municipalities (48 municipalities):*

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|-----------|--|
| Ongoing:  | Monitor compliance with CIP procedures as described in CIP manual; ongoing promotion of the visioning process in capital improvement planning. |
| Dec 2010: | Direct assistance to legacy municipalities ends.   |

*All GAP Cohort 3 non-CIP municipalities:*

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|-----------|--|
| Feb 2010: | Establishing community development planning mechanisms in municipalities (CDPC bodies) where they do not exist or where activity has lagged. |
| Mar 2010: | Develop Municipal Assembly decision on the establishment of CDPCs where they do not exist.   |
| May 2010: | CDPCs adopt necessary decisions and prepare materials (i.e. project selection criteria, timeline, and similar documents).                    |
| May 2010: | Conducting media campaign to publicize the work of the CDPC and collect community priority projects.   |
| Jun 2010: | Gathering, scoring and ranking application forms.  |
| Jun 2010: | Identifying priority projects and fine tuning of the projects selected to be co-financed by GAP.   |

*All GAP Legacy non-CIP municipalities (5 municipalities):*

- |                 |  |
|-----------------|--|
| Jun 2010:       | Assess current capital planning capacity in municipalities   |
| Jul 2010:       | Develop simplified and sustainable CDPC process tailored for integration into the annual budgeting process           |
| Sep – Oct 2010: | Train municipalities in capital budgeting using the simplified process in conjunction with annual budget preparation |
| End 2010:       | Municipalities prepare annual budgets incorporating simple capital budget  |

**Activity C.2: Strengthening Municipal Capacity to Plan, Seek, Organize and Manage Funds for Capital Projects**

**Activity objectives:**

- *Improve municipal effectiveness in developing project proposals and obtaining funding*
- *Increase capacity in application of BiH procurement law and project management*

**Rationale:** At the beginning of the first phase of GAP, the need was identified to increase municipal capacity in planning, seeking and generally in managing funds for capital

projects independent of capital improvement training, discussed above. As a consequence, municipalities were introduced to project management concepts, monitoring and evaluation of projects, procurement and other essential skills. Although GAP legacy municipalities have made substantial progress in these areas, Cohort 4 municipalities, as expected, have far to go to reach their standards, as most do not have staff skilled and trained in that area.

Not only are such skills needed to ensure successful, well-managed projects, it is also very clear that such expertise will be essential for success in obtaining EU pre-accession funds as well as attracting other funding, e.g. through the World Bank. In 2008 and 2009, the capital projects team worked on municipal capacity building in the areas of proposal writing and project management with all GAP municipalities, in conjunction with other donors wherever possible. This assistance will be repeated, and expanded upon, in 2010.

As it is extremely important for municipalities to continue to attract donor funding and to be able to demonstrate that goods and services are procured in a transparent and systematic way to reduce the opportunities for corruption, build trust among the public, and increase administrative efficiency, GAP will continue providing training to its partner municipalities in procurement following BiH standards.

**Approach:** During Year 1 and 2, GAP provided capacity building training to legacy and cohort 3 GAP municipalities in areas of public procurement following BiH procurement law, and initial training on IPA funds. To provide EU-related expertise, GAP continued cooperation with SNV in delivering instrument for pre-accession (IPA) training. Using a similar approach as that used in Year 2 for Cohort 3 municipalities, GAP will provide capacity-building training to Cohort 4 municipalities in the following two areas: public procurement, and an overview of IPA funding. Following, it is our intention that these municipalities will be actively engaged in the peer mentoring program discussed below.

The GAP capital projects team will be responsible for conducting this activity. In addition, GAP will continue to coordinate with other donors on methodological issues, with the intent of having all training programs and activities reinforce one another.

**Results:** GAP municipalities demonstrate substantial improvements in procurement, and proposal writing and are actively mentoring other municipalities.

Municipal readiness to apply for EU pre-accession funds or other funding sources increased.

**Link to Year 2 work plan:** Continuation of training provided Legacy and Cohort 3 municipalities to Cohort 4.

**Counterparts:** Mayors, municipal staff, CIP team members

**Resources:** GAP capital projects team, STTA as needed, coordination with other donors.

**Schedule:**

Sep 2010:	Training for CIP coordination teams as listed in activity C.1
Apr 2010:	Discussions with other donor projects to further coordinate methodology and possible allocation of training topics

- Oct 2010: Training on: a) Public procurement with concentration on procurement of loans and consultancy services;
- b) Project proposal development and applying for EU pre-accession funds; and
- c) Other relevant training as determined on a demand basis.

New CIP Cohort 4 municipalities should conclude all capacity building training sessions by December 2010, following which they will be introduced and asked to participate in the Peer Mentoring Program, as described below.

### **Activity C.3: Expand Peer Mentoring Program**

#### **Activity objective:**

- *Encourage and ensure knowledge transfer between legacy and Cohort 3 municipalities, new municipalities, and non-GAP municipalities*

**Rationale:** Although GAP has significantly improved the capabilities of staff and agencies with regard to project management, capital projects financing and procurement within many of its partner municipalities, these skills and capacities have not always been effectively transferred to non-GAP municipalities, meaning the overall capacity in this area is low.

Peer mentoring is an effective means of ensuring transfer of knowledge and skills among municipalities, benefitting both the mentor and recipient. GAP has used this method to great effect in the areas of CSC development and budgeting and finance, expanding upon the concept in other areas of this work plan. This approach fosters general relationship building and takes communications between municipalities to a higher level. Instituting a peer mentoring program will provide municipalities with access to powerful and cost-effective methods of making advances in areas such as capital improvement planning, budgeting, financial management, local economic development, urbanism, and streamlining administrative processes.

GAP will work on initiating the mentoring process to both help less developed municipalities advance with the assistance of their counterparts and to create a greater sense of ownership and accountability for learning and best-practice sharing activities. This will in turn generate lasting training results that help build competitive municipalities and improve the level of knowledge in BiH.

**Approach:** The GAP team will work with CIP municipalities to define areas of support they can provide to the Cohort 4 municipalities. In addition, GAP will provide assistance to the Cohort 3 municipalities in defining objectives and approaches of the peer mentoring program. Finally, the GAP team will closely monitor the mentoring program to ensure that it is well conducted.

Peer mentoring activities will be undertaken as follows:

- a. Work with the 15 new CIP legacy municipalities to identify those areas where they could best offer knowledge transfer;
- b. Motivate, guide, encourage and advise municipalities in developing training materials;

- c. Implement peer mentoring process, both one-on-one and through regional meetings; and,
- d. Monitor and evaluate that process, making adjustments as needed.

**Results:** A better sense of community, collegiality and cooperation among GAP municipalities is created, while knowledge and skills are transferred from more advanced municipalities to the less developed ones in a sustainable manner. Spill-over effect among municipalities increased.

**Link to Year 2 work plan:** Continuation and expansion of efforts that began in Year 2.

**Counterparts:** Municipal staff

**Resources:** GAP capital projects team, GAP specialists, resource materials

**Schedule:** GAP will work with CIP legacy and Cohort 4 selected municipalities to implement the Peer Mentoring Program, following the schedule and activities as shown:

Jan - Mar 2010:	Identify strengths of new CIP municipalities where they could best offer knowledge
Apr 2010:	Outline and prepare materials for peer mentoring sessions
May - Jun 2010:	First peer mentoring event takes place
Sep - Oct 2010:	Second peer mentoring event takes place
Dec 2010:	Written evaluation of the peer mentoring events, with recommendations for improvement

## **Activity C.4: Implementation and Disbursement of the Capital Projects Fund**

### **Activity objectives:**

- *Participatory and professional planning of capital improvement projects assured in both CIP and non-CIP municipalities*
- *Assistance for capital improvement projects in GAP municipalities awarded*
- *All GAP co-financed capital improvement projects transparently and successfully implemented*
- *GAP municipalities become better positioned to attract EU and other donor funding through experience with successful project implementation using simplified EU methodology*

**Rationale:** As described in Activities C.1 and C.2, most new municipalities do not have a means of ensuring a participatory planning process and implementation of capital projects. To help introduce and sustain participatory planning and implementation of municipal capital projects, GAP will not only support the establishment of CIP coordination teams as described above, but will support municipalities by providing co-financing for capital projects determined to be community priorities through its capital

projects fund. Implementation of capital projects in this manner will not only encourage participatory capital budgeting and improve the business environment and quality of life in GAP legacy and newly selected municipalities, but will also help create an environment where municipalities recognize the need for and begin to work with external financing sources (i.e. bank loans, other donors, EU funds) to fund multi-year capital projects. Finally, actual hands-on experience in project proposal and implementation using the simplified EU project cycle management methodology incorporated in GAP CIP methodology will better position GAP methodology to attract EU and other donor funding, as well as result in better project implementation.

**Approach:** All projects proposed for funding (including both those proposed by CIP and by CDPC municipalities) must, prior to their submission to GAP, undergo an environmental assessment in order to ensure that at minimum projects do not have a negative effect on the environment. Following submission of the completed applications, all project proposals will undergo a review and approval process. Recommended applications will be passed on to the GAP management team and as appropriate to the JMC for final approval.

Once proposals have been approved by the GAP management team and JMC, the applicant will be notified and co-financing agreement will be prepared in accordance with the prescribed procedures. Following the signing of the co-financing agreements, GAP will provide training on both financial management and programmatic reporting required for awarded funds, as well as project monitoring and evaluation training. All reporting and related obligations will be incorporated in the co-financing agreement.

Municipalities will then complete the procurement process, following which contracts with the selected contractors or vendors will be signed and work commenced. Municipalities will be responsible for reporting both on program and financial activities that will be monitored closely by the capital projects team.

Major steps to be taken in the course of this activity are:

1. Projects selected to be co-funded by GAP;
2. Environmental assessments performed for priority projects under *Sida Sustainable Development Guidelines*;
3. Project proposals checked for implementation feasibility (time, budget) and co-financing requirement;
4. Project proposals prepared and submitted to JMC for approval;
5. Financing awarded;
6. Municipalities informed of JMC decision;
7. Financing agreement prepared and signed;
8. Project implementation reporting financial and programmatic trainings conducted; and,
9. Awards disbursed and project implementation monitoring begins.

(Note that post-completion evaluation is discussed in a separate section, below.)

GAP anticipates that these projects will be implemented in two separate groups in 2010. Group 1 will include high-priority projects proposed by CIP municipalities that can be

implemented immediately. The deadline for inclusion in this group will be March 1, 2010, and it is anticipated that all of the preparatory activities for implementation will be completed in May, 2010. Group 2 will consist of all remaining municipalities, largely current CDPC municipalities (regardless of whether they adopt CIP methodology) and projects submitted in Group 1 that required substantial revision. The deadline for inclusion in this group will be May 1, 2010, and all preparatory activities will be completed in July.

**Results:** Quality of life and business environment significantly improved in all GAP municipalities through the financing of essential capital projects. Improved relations between the municipality and citizens through the introduction of participatory capital planning and decision-making. Improved local understanding of the mechanics of capital financing and municipal borrowing, leading to improved creditworthiness and increased funding of necessary capital improvements. Rate of citizens' satisfactions with services provided by the municipality increased. GAP municipalities implementing capital project demonstrate substantial improvements in areas such as service provision and public utility management. Municipalities are better positioned to access EU and other donor funding through real experience with proposal development and project management methodology.

**Link to Year 2 work plan:** Finalization of projects initiated in Year 2 for legacy municipalities; initiation of Cohort 3 and remaining legacy projects using same methodology.

**Counterparts:** JMC, mayors, designated municipal staff, all community stake holders (civil society organizations, NGO's, business representatives, community individuals/citizens, local government representatives, institutions' representatives, etc.), and contractors

**Resources:** Capital projects team, STTA, manual and workshops

**Schedule:** GAP will start with implementation and disbursement of the capital projects funds as per schedule of activities outlined below:

*Legacy municipalities except Teslić and Mostar:*

Dec 2010:	All projects completed including those where time extensions were sought and granted by the JMC. <sup>7</sup>
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*Teslić and Mostar (presuming a government is formed):*

Jan 2010:	Projects selected to be co-funded by GAP
Feb 2010:	Eligibility determination, feasibility analysis, and environmental assessments performed for priority projects selected under Sida <i>Sustainable</i>

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<sup>7</sup> We anticipate that Bužim, at a minimum, will request a time extension as a result of the work suspension due to the bomb explosion.

	<i>Development Guidelines</i> ; project proposals finalized and submitted to JMC for approval
Mar 2010:	Co-financing agreement prepared and signed; project implementation financial and programmatic reporting trainings conducted; project implementation begins
Dec 2010:	All projects completed and evaluated; direct assistance to all legacy municipalities ends.

*Cohort 3:*

**Group 1** (simple, already prepared projects in CIP municipalities):

Jan - Feb 2010:	Projects selected to be co-funded by GAP
Mar - Apr 2010:	Eligibility determination, feasibility analysis, and environmental assessments performed for priority projects selected under <i>Sida Sustainable Development Guidelines</i> .
Apr 2010:	Project proposals finalized and submitted to JMC for approval
May 2010:	Co-financing agreement prepared and signed; project implementation financial and programmatic reporting trainings conducted
May – Jun 2010:	Project implementation begins

**Group 2** (all other projects):

Jan - Apr 2010:	Projects selected to be co-funded by GAP
May - Jun 2010:	Eligibility determination, feasibility analysis, and environmental assessments performed for priority projects selected under <i>Sida Sustainable Development Guidelines</i> .
Jun 2010:	Project proposals finalized and submitted to JMC for approval
Jul 2010:	Co-financing agreement prepared and signed; project implementation financial and programmatic reporting trainings conducted
Jul - Aug 2010:	Project implementation begins

**Activity C.5: Capital Projects Post Evaluation**

**Activity objective:**

- *Assessment of the results, success and impacts arising from the implementation of GAP capital improvement projects leading to improved projects in future years*

- ***Increased capacity in municipalities to undertake participatory performance measurement and evaluation***

**Rationale:** Like all projects, capital projects are subject to risk and uncertainty in their implementation. Although well-designed projects have specified activities, outputs, results and outcomes, the degree to which the latter are achieved – the validity of the underlying logic – is usually unknown until after the project completion. For that reason, post-project evaluation is essential, to determine the degree to which these higher level objectives are being met and both successes and failures in project design.

One objective of GAP projects is that the benefits and results achieved will continue and be maintained by the community from own-source resources even after GAP support ends. Better knowledge of sustainability could help improve project design and, as a consequence, warrants a review of grants or co-financing, their results, and the degree to which these results are maintained. Sustainability and evaluation also requires local involvement lacking for many GAP-funded projects during phase one.

**Approach:** During Year 1 GAP developed questioners and identified variables which will be measured and recorded before, during and after project implementation. Once capital projects co-financing agreements are signed, the monitoring and evaluation will begin ultimately leading to an evaluation report. The evaluation report will provide GAP and donors with an analysis of capital improvement projects’ activities and performance and will evaluate and measure the results achieved by their implementation, focusing on relevance and sustainability.

**Results:** Improved design of capital projects with respect to sustainability of objectives and local participation. Increased responsibility and involvement for CDPCs and CIP coordination teams with concomitant increase in their sustainability. Dissemination of knowledge on evaluation methodology and techniques to partner municipalities, assisting them in conducting evaluations on their own.

**Link to Year 2 work plan:** Provides for evaluation of projects that began in Year 2.

**Counterparts:** CIP coordination teams, CDPCs

**Resources:** GAP capital projects team, M&E officer, local or regional STTA, training materials and workshops

**Schedule:**

Jan - Sep 2010:	Monitoring and evaluation training conducted as part of the training for CIP coordination teams (and CDPCs).
Oct 2010:	Four regional training programs held on monitoring and evaluation principles and application.
Dec 2010:	All legacy projects evaluated and direct assistance ends.

## **COMPONENT TWO: POLICY INTERVENTIONS**

### **What's New-Lessons Learned from Year 1-2**

Most of activities in the policy component are continuation of efforts from previous years, either continuing to work to implement priorities or furthering results achieved so far. This approach also attempts to work around obstacles encountered in previous years, such as the new area of implementation of the Law on Local Self-Governance in FBiH, which addresses the lack of responsiveness of cantonal authorities in harmonizing relevant legislation.

Another new activity refers to the analysis of revenues in both entities and it is related to our work in the previous and current phases of the project. It is a response to the request from the FBiH MoF (and interest of partner mayors) and a request from RS mayors to analyze the flow of revenues nearly five years after introduction of the new allocation system. This is especially relevant in light of the financial crisis that has affected all levels of government in BiH. The work on the Chart of Accounts in the RS also follows the interests of the MoF, who are developing a CoA and seeking GAP's assistance in gathering comments from municipalities.

### **Risks and Assumptions**

Most of the risks associated with the work of the policy component are related to the overall political climate, which has been unfavorable to reform processes in general and local government interests in particular. In FBiH, there is an ongoing rift between the Government and Parliament unrelated to any of our activities, but which affects the capacity of government representatives to focus on local government issues. The negative climate has not only affected the effectiveness of Parliament in adopting laws but has also had a spillover on the effectiveness of our counterparts in the civil service.

In the RS, the Government has developed an approach preferring autonomous work independent of outside assistance. GAP staff is becoming very concerned about the developing unresponsiveness and lack of interest of representatives of RS MoF. Further along those lines, the RS Ministry for LSG appears to be less interested in reform, shifting initiative to the Municipal Association instead. This is evident from their response to GAP suggesting that the Association and GAP work on the draft Code on Inter-administrative Relations without their initial involvement. Finally, a major obstacle has been the lack of reliable support from the staff of the RS Municipal Association. GAP is working around this obstacle by directly approaching the leadership of the Association Presidency, with initially promising results.

The most positive factor is that these issues and problems have not affected the interest and commitment of mayors in either entity – they remain the single strongest force behind reform.

## **Sub-Component A: Strengthening Inter-Governmental Communication and the Capacity of Municipalities to Collectively Advocate (KRA 2.1)**

### **Introduction**

Efforts in sub-component A continue to be supported in Year 3 through implementation of an annual policy agenda, and implementation of the Code on Intergovernmental Relations. These activities are discussed in detail below.

### **Activity A.1: Continue Implementation of an Annual Policy Agenda**

#### **Activity objective:**

- *To increase the effectiveness and relevance of advocacy efforts*
- *To further decentralization and accountable, democratic local governance*

**Rationale:** Despite substantial gains in the operational structure and the influence of Municipal Associations, there is still a need for improvement in their capacity to represent the interests of local governments. For further decentralization to occur and for local governance to continue to improve, the Associations must improve their ability to set their policy agenda. This includes improving their internal technical capacities to undertake policy analysis, development of a mechanism to define policy priorities, and training on and experience in the use of policy analysis in advocacy and advocacy itself.

**Approach:** GAP will continue to provide direct training to Association staff and committees on the regular annual review of policy priorities and to assist the Associations in identifying the policy agenda for the following year by conducting research and analyzing results, refining issues brought forward by municipalities through focus groups or other means, prioritizing policies through Association committees, and working to produce presentation materials and promote proposals in Association bodies (presidency and/or assembly). It is important to note that this process is not in any way dependent on the involvement of entity authorities, and will not be affected in Year 3 by the timing of the election campaigns.

**Link to Year 2 work plan:** In Year 2, the policy agenda process was largely in place, with both FBiH and RS Associations supporting active agendas. However, the timing and priorities still vary between the two entity Associations. For example, while the RS Association's 2010 policy agenda was completed in December 2009, in the FBiH the schedule of amending and drafting new legislation prioritized in the 2009 policy cycle has bumped development of the new 2010 agenda to the second half of 2010. Our activities in 2010 will therefore build on two successful cycles to help ensure sustainability of the process.

**Results:** As a result of an institutionalized policy agenda process, mayors will strengthen their role in the policy making process and will develop a sense of ownership of the policy agenda as it relates to their municipality. Municipalities and Associations will in turn be able to more effectively and collectively advocate for necessary legislative, administrative, and policy changes.

**Counterparts:** Mayors, FBiH Association

**Resources:** GAP staff, local STTA, training, workshops, conferences

**Schedule:**

**In FBiH:**

- May 2010: Organize or help organize a roundtable including all committees to discuss the need to update an annual policy process and list of policy priorities. Produce a list of new policy priorities.
- Jun - Jul 2010: Together with the Association, organize focus group meetings for each of the Association committees. With members of the committees, generate written policy priorities and solutions.
- Sep 2010: With the Association, organize a final workshop with mayors. Provide written analysis on policy issues to allow for finalization of priorities and solutions, and define a policy agenda for the Association, committees and presidency as an overall plan for policy reform. Produce a final policy agenda.

**In RS:**

- Nov 2010: Review policy priorities in the RS with the Association and, as necessary and requested, update the 2010 priorities.

## **Activity A.2: Implementation of the Code on Intergovernmental Relations**

**Activity objective:**

- *To improve intergovernmental communication and coordination*
- *To position local governments as an integral part of the decision-making process in each entity*

**Rationale:** Establishing clear communication and cooperation between municipalities and higher levels of government is crucial for strengthening the position of municipalities and their more substantive involvement in the policy-making process. Absent a structured relationship, this communication and cooperation occurs on a piecemeal basis, subject to the whims of individual agencies or even individual personalities.

**Approach:** In Year 3, GAP will facilitate the promotion of the Code drafted in years 1 and 2. In addition, GAP will continue developing tools and mechanisms for implementing the Code, with special concern for involving local governments in the policy and legislative process.

In FBiH, the Code will be supported and implemented by the Coordination Committee. Parties will refer to the Coordination Committee for the observance of the agreements and rules of interaction. Since the Minister of Justice has primary responsibility for administrative relations with cantons and municipalities, GAP will support the Ministry in implementation of the Code through drafting of additional by-laws and administrative

decisions. If adopted by the entity government and parliament, the code will be binding for all levels of government: entity, canton and municipalities.

In the RS, implementation of the Code will supplant the existing MoU between the Municipal Association and government. The Code should be implemented as a result of the joint efforts of the Ministry for LSG and the RS Municipal Association. GAP will offer its assistance in this process, based on the input and needs of the government and the Association. This draft will be developed through the working groups, also including representatives of individual ministries and the Association. If supported by the government, the draft will be finalized and formally considered by the RSNA.

**Link to Year 2 work plan:** This activity was initiated in year 1, with the initial draft of the Code. In Year 2 the final draft of the FBiH Code was produced and presented to the government, the Association, and the Coordination Committee. Discussions were also held directly with members of the Constitutional Committee of the House of Representatives, who are considering including a presentation of the Code. The intention in Year 3 is to get the Code into the Parliament formally for discussion and adoption. In the RS, the initial draft was prepared in Year 2. Based on the Association's and GAP's discussions with government representatives (Ministry of LSG), the intention is that a final draft will be presented to the Ministry in Year 3.

**Results:** Municipalities will become an integral part of the policy-making and administrative processes through regular required formal consultations and information sharing, leading to increased decentralization and improved local governance.

**Counterparts:** Associations, governments, parliaments.

**Schedule:**

**In FBiH (Code already drafted):**

- |                 |  |
|-----------------|--|
| Jan-Mar 2010:   | Prepare supporting materials and, along with the Association, work to introduce the code into parliament.  |
| Apr 2010        | Contingent on approval by the parliament, the result would be an enacted Code.   |
| May 2010:       | Jointly with the Municipal Association organize a conference to introduce the Code to the broader public.  |
| Jun 2010:       | Produce an Action Plan for implementation of the Code as a part of the Coordination Committee's activities.  |
| Jul – Sep 2010: | Draft or help draft necessary legal documents required for implementation of the Code by the MoJ.  |
| Sep 2010-on:    | Through the Coordination Committee, follow the implementation of the Code. Establish a mechanism for periodic review and reevaluation of the Code. |

**In the RS (First rough draft prepared):**

- |                 |   |
|-----------------|---|
| Jan – Mar 2010: | Finalize draft of the Code with the Association (contingent on approval of this activity by the Association Presidency in December 2009). |
|-----------------|---|

Mar 2010:	Present a draft Code to the Ministry of LSG.
Apr 2010:	If supported by the Ministry and Municipal Association, organize a conference to introduce the Code.
May – Sept 2010:	If sufficient support provided by the Government and Association, draft or help draft necessary legal documents required by the implementation of the Code.

### **Activity A. 3: Institutionalizing Inter-Governmental Cooperation**

#### **Activity objective:**

- *To improve the effectiveness and relevance of advocacy efforts*

**Rationale:** Information exchange and mutual consultations between the local level and government and parliaments are scarce. Governments and parliaments arbitrarily seek Associations’ opinions and advice on significant policy issues. As a result, municipalities and Associations are not able to voice their opinion on important aspects of their functioning and continue to be disregarded in the policy-making process.

**Approach:** Although much of the work in this area will fall to the development of a Code of Intergovernmental Relations (A.2), there is still a need to improve the representation of municipalities in the RSNA. At present, there is a committee in the RSNA tasked with considering legislation affecting local governments, but it is also responsible for a wide range of issues including justice and administration. However, the RS Municipal Association has requested that a specialized committee be established and asked GAP to assist in that effort. The RS Minister for Local Self-Governance supports this concept, however RSNA leadership cautions that the establishment of a new committee would require a change in the rules of procedures of the RSNA, which might instigate a number of other changes that may not be possible to produce in the election year. GAP will therefore attempt an alternative approach, to create an ad hoc working group on LSG in the RSNA instead of a permanent body, or to strengthen the capacity of the existing Committee to consider LSG issues at greater depth. However, assistance will be offered with the understanding that the membership of the working group and the Committee itself will likely change after the elections; this assistance is largely to raise visibility of the concept.

**Link to Year 2 work plan:** In Year 2 GAP initiated talks between the RSNA and the RS Municipal Association on several occasions, resulting in an official letter request from the Association to the RSNA. However, obstacles remain as noted above. GAP recommends continuing to work on this activity and demonstrate its importance, ideally leading to its establishment following the elections.

**Results:** Municipalities will increase their voice in legislation in the RS.

**Counterparts:** Associations, government, parliament

**Resources:** GAP staff

## **Schedule:**

- Feb – Mar 2010: Meet individually with members of the RSNA Committee for Political System, Justice and Administration in order to discuss options for establishment of an ad hoc working group for local self-governance. Alternatively, propose to work on getting the existing committee more engaged in LSG affairs.
- Apr 2010: Report to JMC on the options available, with a view that the membership of the Committee or working group might change depending on the upcoming elections. Decide on further GAP engagement.
- Apr – Jun 2010: If possible to establish either an ad hoc working group or to strengthen the existing Committee, provide limited assistance in conjunction with the Municipal Association on the role and functions of the committee. Provide advice relating to developing analytical capacity and consultation with the Association and individual municipalities.

## **Sub-Component B: Improving Inter-Municipal Communication (KRA 2.2)**

### **Introduction**

Electronic sharing of vital records between local governments will enable citizens to have easy access to this information regardless of their current residence through their local government. In order to have that access fully operational and lessen the administrative burden on citizens and businesses, GAP continues to support the process of implementing a technical solution to vital records sharing accompanied by drafting legal solutions that will allow for the sharing of vital records among municipalities.

The legal and technical solutions carried out in the second year of the project were achieved through the joint work of GAP, the Agency for Identification Documents, Registry and Data Exchange of BiH, and relevant entity ministries (Ministries of Interior, FBiH Ministry of Justice, and RS Ministry for LSG). Due to successes in Year 2, GAP plans to use the same method to achieve targets in Year 3.

### **Activity B.1: Draft Legislation to Allow for Electronic Document Processing**

#### **Activity objective:**

- *To lessen the administrative burden for citizens*
- *To begin the process of introducing e-government reforms*

**Rationale:** Local governments serve as the repository for vital records and other essential official documents. Over the past few years, the vast majority of local governments have built capacities to store and process data and documents electronically. The new legislative framework for electronic document processing was completed over the past year, with crucial legislation adopted or set for adoption. However,

implementation of legislation and drafting of new legal documents is needed for a fully operational system. This legislation regulates the electronic exchange of data within and between all levels of government, including horizontal exchange at the local level. Full implementation inter-governmental exchange requires material assistance relating to the PKI infrastructure (electronic signature); this is funded by the European Commission and the tendering procedure for its implementation is currently underway.

**Approach:** GAP will work towards this objective by undertaking additional legal analyses and developing draft legislation to allow the cross-entity transfer of vital records between municipalities. GAP will also take role in training municipal staff in novelties of the new legislation. This will be done together with the FBiH and RS Municipal Associations.

**Link to Year 2 work plan:** The drafting of required legislation was completed in Year 2. As a result, two new laws were produced in the Federation of BiH: The FBiH Law on Vital Records and the FBiH Law on Electronic Document. Both drafts are set for Parliamentary procedure and their passing is expected by the end of 2009 or early 2010. In addition, the RSNA adopted the RS Law on Vital Records in September 2009, confirmed by Council of Peoples in December 2009. The RS Law on Electronic Document was adopted in 2008. All laws, once passed, will require a certain level of harmonization with other laws, as well as drafting of by-laws which will allow the transfer of electronic documents throughout BiH.

**Results:** An improved legislative framework will enable electronic document processing, thereby lessening the administrative burden on citizens and businesses. Improved document processing will allow for other e-government reforms and in so doing reduce the opportunity for corruption.

**Counterparts:** RS and FBiH Associations of Cities and Municipalities, mayors from both entities, Agency for Identification Documents, Registry and Data Exchange of BiH, relevant ministries.

**Schedule:**

- |                 |  |
|-----------------|--|
| Jan - Mar 2010: | Draft implementing bylaws or rules as required, including those needed to allow for cross-entity transfer of vital records between municipalities. |
| Apr - May 2010: | With ministries and municipalities, help implement the newly adopted legislation for electronic document processing; provide technical support.    |
| Jun - Aug 2010: | With Municipal Associations, train municipal staff on the novelties of legislation. Organize a series of workshops to address the issue.           |

## **Activity B.2: Implement Technical Solutions for Vital Records Sharing**

**Activity objective:**

- *To lessen the administrative burden for citizens and business*
- *To begin the process of introducing e-government reforms*

**Rationale:** As a part of the process of following the Visa Liberalization Road Map, the Council of Ministers (CoM) of BiH passed a decision in the fall of 2008 suggesting that entity, cantonal and local bodies establish a digitally certified electronic registry of citizens by January 1, 2010 and, in accordance with regulations, conduct inspections twice a year. Technical solutions for information sharing designed by GAP and put in place by GAP, municipalities and IDDEEA, have enabled the majority of BiH municipalities to have the capacity for vital records sharing. With the full implementation of the system, citizens will be able to access their personal records regardless of the place of their current residence, and without a need to travel across the country to obtain certificates from vital record books.

**Approach:** GAP will continue with the implementation of this process and will initiate the actual vital records sharing, improving citizen access to records and reaching a major project milestone. This technical solution will enable the horizontal flow of data using the existing infrastructure based on a specification of equipment necessary for installation in municipalities. After municipalities have connected to the SDH network (maintained by IDDEEA), GAP intends to initiate the vital records sharing, together with identifying other technical or legal requirements for implementation. This process will require quality communications among entity and state institutions and GAP intends to intensify those communications. If requested by municipalities or a Municipal Association, GAP will organize training for municipal staff for a smoother transition to the new system.

**Link to Year 2 work plan:** In Year 2, the vast majority of BiH municipalities were connected to the SDH network owned and maintained by IDDEEA. Municipalities thus became linked to the network and made their databases available for access to vital records for the purpose of exchange of data with other municipalities and issuance of breeder documents in other locations. The required technical solution showed to be compatible with the GAP software, which was provided to all GAP partner municipalities along with essential hardware and installation. With the great help of Sida, IDDEEA provided similar software to municipalities identified with no IT structure needed for this process, thus leaving only a small number of BiH municipalities with no capacity for vital records sharing. All this now opens the door for the actual initiation of the process.

**Results:** Inter-municipal communication enabled and vital records sharing operational in order to lessen administrative burdens on citizens and businesses. Municipalities will be embedded in the overall data exchange system, creating preconditions for future e-government solutions.

**Counterparts:** RS and FBiH Associations of Cities and Municipalities, mayors from both entities, Agency for Identification Documents, Registry and Data Exchange of BiH, relevant ministries.

**Resources:** GAP staff, local STTA, workshops, working groups, conferences

**Schedule:**

Jan - Mar 2010:	Technical solutions are already in place. Working with partner municipalities, start actual inter-municipality sharing of vital records using the technical solutions put in place, monitor implementation and identify any other technical or legal requirements.
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- Apr - Jun 2010: Working with partner municipalities, enable exchange of data and establish communication channels between the entity and state institutions through the technical and legal solutions put in place previously.
- May 2009 - ongoing: Evaluate the system, determine (with IDDEEA and other agencies) opportunities for expansion, as appropriate for GAP assistance.

## **Sub-Component C: Policy Initiatives to Operationalize the Local Self-Governance Development Strategy (KRA 2.3)**

### **Introduction**

Bosnia and Herzegovina ratified the European Charter on Local Self-Governance in 2002 and assumed an obligation to implement it in full. Since the Dayton Agreement provided no powers for an institution at the state level to regulate these issues, the Council of Europe concluded that entities are, in fact, responsible for the implementation of the Charter. The RS adopted the Law on Local Self-Government in 2004, and FBiH adopted the Law on Principles of Local Self-Governance in 2006. However, the 2008 monitoring report of the Council of Europe again emphasizes the fact that the Law on the Principles of Local Self-Government in FBiH still has to be implemented in full, i.e. certain cantonal and federal laws that this Law addresses have yet to be harmonized with its provisions.

### **Activity C.1: Work to Implement the FBiH Law on Principles of Local Self-Governance**

**Rationale:** GAP's mission is to promote democratic, accountable local governance, in part through functional and fiscal decentralization. Decentralization is key to the improvement of governance and the quality of life in BiH, moving services closer to the people and in so doing improving service delivery and making government more accountable to the people it serves. Decentralization is also key to moving BiH closer to the EU.

Government in BiH is centralized at the middle level, with a legal structure not conducive to decentralization. This is exacerbated in the FBiH, which has entity and cantonal levels of government in addition to municipal governments. Past work in this area led to the Law on LSG, for which GAP provided support to the FBiH Parliament and Municipal Association in drafting the Law. This law has not been fully implemented.

**Approach:** The Coordinating Committee has been designated as the forum for reaching consensus and support for legislation that relates to local governments in FBiH, and as such it will be utilized as a mechanism for channeling legislation drafted in all GAP policy activities into the formal procedure – as long as that is practical and feasible.

The schedule of activities of the Coordinating Committee has therefore been integrated into the schedule of individual activities where relevant. Following those schedules, GAP will engage in presenting its analysis to relevant working groups of the Coordinating Committee as necessary, addressing needs for legal harmonization, removing legislative barriers, and defining legal solutions.

However, it is quite possible that the Coordinating Committee may not be able to function adequately given the general problems with FBiH government. GAP will report regularly to the JMC on progress through this committee, and may recommend an alternative vehicle if progress ceases such as directly approaching parliament. This process is already underway with respect to Activity A.2.

**Link to Year 2 work plan:** The Coordinating Committee held several meetings during Year 2 where it accepted the proposed action plan and discussed individual proposals, priorities and timelines. Based on the action plan, four working groups were formed (local self-governance and governance; property issues and spatial planning; social issues; finance). The Federal Ministry of Justice also sent an initiative to the Federal Government to appoint representatives from respective sectoral ministries to take a leading role in the work of Coordination Committee working groups. Based on the action plan, the Coordination Committee working group for local self-governance and governance produced a draft FBiH Law on Organization of Administration. In Year 3, GAP intends to continue to use the Coordination Committee as a mechanism for channeling legislation drafted in all GAP policy activities.

**Results:** Increased decentralization and improved local self-governance.

**Counterparts:** FBiH Association of Cities and Municipalities, mayors, Coordination Committee, Ministry of Justice, other relevant ministries at entity and cantonal level.

**Resources:** GAP staff, local STTA, workshops, working groups, conferences.

**Schedule:**

Apr 2010:	Review status of Coordinating Committee and progress in implementing the law on local self-governance and report to the JMC, including recommendations on alternative approaches as needed.
July 2010:	Review status and report, as above
Oct 2010:	Review status and report, as above

**Activity C.1.a.: Developing a list of cantonal legislation that requires harmonization with the FBiH LSG Law**

**Rationale:** Thus far, GAP has attempted to create a list of cantonal legislation that requires harmonization with the FBiH LSG Law through the FBiH Association and through cantonal representatives in the Coordinating Committee. In this project year, GAP proposes an alternative approach relying on short-term technical assistance.

**Approach:** GAP will hire STTA specifically for the purpose of reviewing legislation for each canton and producing individual lists of legislation. The STTA will use the existing list produced for the Sarajevo canton as a starting point, and will rely on the cantonal official gazettes and interviews with cantonal ministries of justice for information. In each canton, the provisional list produced by the STTA will be presented to municipalities from that canton in a workshop organized together with the Municipal Association to review and finalize the provisional list. The final list will be submitted to the cantonal

ministries of justice, municipalities from that canton, Municipal Association and the Coordinating Committee.

We anticipate disruptions from the elections, but believe that some of the identified legislative changes could be adopted before elections and those remaining afterwards.

**Results:** A list of legislation for each canton will be produced, indicating areas where harmonization is required with the FBiH LSG Law. This will help further decentralization and avoid conflicts and overlap in the legal structure.

**Link to Year 2 work plan:** In Year 2 GAP included cantonal laws on LSG and harmonization as part of its work plan with the Coordinating Committee. As cantons have not been very responsive to the requests from the Committee, in part because they lack the capacity to undertake analysis themselves, this activity is designed to assist the process of harmonization of legislation.

**Counterparts:** Cantonal ministries of justice, municipalities, municipal Association, Coordinating Committee

**Resources:** Local STTA

**Schedule:**

- |             |   |
|-------------|---|
| Feb 2010:   | Review and update the list of legislation for Sarajevo Canton. Conduct interviews; organize a workshop in Sarajevo Canton.  |
| March 2010: | Produce a list of cantonal legislation for the first canton, including interviews with the cantonal ministry of justice and others as necessary. Organize a workshop with municipalities from that canton in order to review the provisional list of legislation and to finalize it.  |
| April 2010: | Produce a list of cantonal legislation for the second canton, including interviews with the cantonal ministry of justice and others as necessary. Organize a workshop with municipalities from that canton in order to review the provisional list of legislation and to finalize it. |
| May 2010:   | Produce a list of cantonal legislation for the third canton, including interviews with the cantonal ministry of justice and others as necessary. Organize a workshop with municipalities from that canton in order to review the provisional list of legislation and to finalize it.  |
| June 2010:  | Produce a list of cantonal legislation for the fourth canton, including interviews with the cantonal ministry of justice and others as necessary. Organize a workshop with municipalities from that canton in order to review the provisional list of legislation and to finalize it. |
| July 2010:  | Produce a list of cantonal legislation for the fifth canton, including interviews with the cantonal ministry of justice and others as necessary. Organize a workshop with   |

municipalities from that canton in order to review the provisional list of legislation and to finalize it.

September 2010: Produce a list of cantonal legislation for the sixth canton, including interviews with the cantonal ministry of justice and others as necessary. Organize a workshop with municipalities from that canton in order to review the provisional list of legislation and to finalize it.

October 2010: Produce a list of cantonal legislation for the seventh canton, including interviews with the cantonal ministry of justice and others as necessary. Organize a workshop with municipalities from that canton in order to review the provisional list of legislation and to finalize it.

November 2010: Produce a list of cantonal legislation for the eighth canton, including interviews with the cantonal ministry of justice and others as necessary. Organize a workshop with municipalities from that canton in order to review the provisional list of legislation and to finalize it.

December 2010: Produce a list of cantonal legislation for the ninth canton, including interviews with the cantonal ministry of justice and others as necessary. Organize a workshop with municipalities from that canton in order to review the provisional list of legislation and to finalize it.

## **Activity C.2: Developing a new Chart of Accounts for Municipal Use in the FBiH and RS**

### **Activity objective:**

- *Developing guidebook / rulebook for the use and application of the Chart of Accounts, facilitating its use by municipalities.*

**Rationale and Link to Year 1 and 2 work plans:** Functional (and fiscal) decentralization requires that the higher levels of government have accurate information on fiscal conditions at lower levels of government. During Year 1, GAP conducted research into the possibility of working on expenditure reporting and discovered that problems with reporting and registering revenues and expenditures are caused by both an inadequate Chart of Accounts (CoA) and a lack of understanding of these accounts and of reporting in general. In Year 2, GAP has undertaken a comprehensive review of the Chart of Accounts, knowing that without a significant improvement in public sector accounting codes and practices it will be difficult to track or improve municipal finances in the Federation. Numerous inconsistencies and problems in the CoA have since been discovered and were described in a report for the FBiH Association of Cities and Municipalities. The report also gave detailed recommendations for a range of solutions that could be applied to improve the CoA and its use. This report has been forwarded to

the FBiH Ministry of Finance (MoF); the MoF has expressed a willingness to assess the recommendations and make changes to the CoA where they deem acceptable.

The research unearthed another significant problem in the application and use of the CoA. The lack of clear explanations and guidelines for use of the individual codes have led to significant disparities and mistakes in the actual use of codes, as well as with budgeting and accounting by local governments. The stance of the FBiH MoF is that they are not obliged to provide more guidance in use of the CoA. They maintain that the FBiH Office for Auditing of Public Institutions gave recommendations that each institution have its own rulebook that includes detailed instructions and explanations on the use of codes. While in a settled system such rulebooks should be used for details that pertain to the particularities of different institutions within the public administration, in FBiH's particular case this is not sufficient. There should be a set of clear indications and explanations about the general use of codes and these should be used across the entire public administration to avoid misunderstandings and misuse in application of the CoA.

**Approach:** The main focus of GAP in this regard will be to develop a guidebook / rulebook that will explain in detail the use of codes and their purpose for use of public institutions and that will attempt to clarify the current problems with the application of codes with which municipalities struggle. We will recommend that the FBiH MoF use this rulebook. However, should that not be the case, the material will still be provided to the Association to distribute to its members for use as a helpful guidebook.

The RS MoF is now analyzing the current CoA for public finance and preparing the first Draft of the new CoA. With GAP's support, the RS MoF will present the draft CoA and collect comments for improvement through the RS Association of Cities and Municipalities. Further activities will be focused on the production and implementation of a rulebook in the RS.

**Results:** A guidebook / rulebook that will assist the local governments in their daily accounting operations and budgeting and provide for more reliable financial reporting, increasing the capacity for further decentralization.

**Counterparts:** FBiH and RS MoF, FBiH and RS Association of Cities and Municipalities

**Resources:** GAP policy staff, local and international STTA

**Schedule FBiH:**

Jan - Mar 2010	Pull detailed information from the IABS system from our partner municipalities to analyze in greater detail the practical problems local governments experience in using the CoA.
Apr – Aug 2010	Produce a guidebook / rulebook to explain the use of codes and their purpose for use of public institutions to clarify current problems with application of codes.
Sep - Nov 2010	Present the finished rulebook/guidebook to the MoF and the Association. If the Ministry decides not to publish it as Rulebook, provide to the Association to be used as a Guidebook, and assist with its dissemination.

### **Schedule RS:**

Feb – Apr 2010	Provide assistance to the RS municipal Association in organizing Workshops for commenting on the Draft of the new CoA. Collect, together with the Association, comments and suggestions from local governments.
May – Jul 2010	Draft a report that organizes the comments and suggestions collected and provides concrete solutions to problems local governments outlined during the workshops. Present the report to the Association for forwarding to the RS MoF after it is approved by the Association.
Aug – Sep 2010	Organize a range of meetings with the RS MoF in order to provide additional explanation on the report and to assist the MoF in implementing the suggestions given, if necessary.

### **Activity C.3: Assist the Process of Introduction of Treasuries in FBiH Municipalities**

#### **Activity objective:**

- *Help ensure an orderly transition to a treasury system in FBiH*

**Rationale and Link to Year 2 work plan:** Municipalities in FBiH would benefit from the financial discipline and controls incorporated into a treasury system, provided that they are not forced to adopt a solution that limits their use of current IABS systems. All of the work requested by the FBiH MoF was completed in Year 2, as was the software redesign necessary to make the current IABS system provided by GAP compatible with a treasury system.

**Approach:** GAP will continue to monitor treasury implementation and, as needed, intervene through the Association or directly to the MoF to help represent municipal interests until the treasury system is adopted.

#### **Schedule:**

Ongoing:	Meet periodically with municipalities, Municipal Associations, FBiH MoF and GAP's software provider to monitor treasury implementation. If requested, and if within project resources, provide assistance on behalf of municipalities.
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### **Activity C.4: Assist the Ministries of Finance in Developing a Debt Reporting Database**

#### **Activity objective:**

- *Responsible and legally compliant borrowing by municipalities*

**Rationale and Link to Year 2 work plan:** Municipalities in BiH would benefit from greater use of responsibly-managed debt to fund infrastructure projects; a database will

improve the monitoring and quality of information at the entity level. Both databases were developed in Year 2 and are being implemented.

**Approach:** GAP will continue to monitor the implementation of the databases and, as needed, answer questions or meet with the MoFs on any issues.

**Schedule:**

Ongoing: Meet periodically with municipalities, Municipal Associations, and MoFs to monitor implementation. If requested, and if within project resources, provide assistance on behalf of municipalities.

## **Activity C.5: Improved Management of Municipal Property**

**Activity objective:**

- *To improve municipal finances and planning capacity*

**Rationale:** In the coming years, following the comprehensive property reform that started with adoption of the Law on Real Rights in the RS, local governments will be given an opportunity to manage their assets in a more market-oriented manner, increasing their significance as a source of revenues and with the ability to create new management practices.

Adoption of the Law on Real Rights in the RS marks a new approach in regulating the ownership rights of property and will have substantial impact on property relations in the RS. The draft Law on Real Rights in the FBiH is expected to enter parliamentary procedure in the near future, with the potential for similar significant impacts on property relations in the FBiH. By introducing a whole new system of property rights, these laws will complete the process of transformation of property from public to private ownership and establish a uniformity of property rights. For local governments, this will mean more control and the availability of more instruments to govern property on the one hand and the loss of some beneficial rights that they had under the previous system on the other.

An assessment of asset management (AM) conducted by GAP in BiH in 2009 identified multiple inefficiencies and the lack of a systemic, planned approach to AM. In particular, the assessment indicated that better AM could lead to a 5% to 20% increase in municipal budget revenues. Even more importantly, better land management can make land more attractive to private investors, and is vital to local economic development and competitiveness of BiH in the region. These findings were in general corroborated by Associations in both entities and many of them have been included as Association policy priorities in terms of improving the legislative framework and municipal practices.

Consequently, improving municipal asset management while at the same time taking into account needs in areas such as spatial planning, construction, environmental protection, and overall municipal development will be an important task that will require a new knowledge of procedures, principles and means of managing municipal property. It will also likely require further policy changes.

**Approach:** GAP's efforts in this area will build on the work done in the previous phase of the project and Years 1 and 2 of the current project.

Municipal Associations recognized a number of asset management issues as policy priorities and the focus of GAP's efforts will be to continue working towards introducing a market-oriented approach to property management, drawing on best practices from the region and beyond and with the Associations changing the legislative framework.

**A) Guidebook on asset management:** Asset management generates strong interest among municipalities, since many of them are currently in the process of taking inventory and re-valuing their land and property. Municipalities clearly are interested in obtaining technical expertise on the subject. In order to help municipalities improve asset management practices GAP will develop a *Guidebook on Asset Management*, combining experiences from municipalities in BiH and elsewhere. The guidebook will be based on GAP's previous assessment of asset management, but written for day-to-day use by municipal staff to help generate more revenue and raise overall municipal development.

**B) Legal changes and policy changes:** The assessment on asset management along with analysis and reports produced by GAP earlier in the project provided Associations with arguments and guidelines to shape policies relating to the future reform of municipal property, reforms in support of the Real Rights Laws, and beyond.

In 2010, GAP will focus further activities in this area on the following list of laws recognized by municipal Associations as priorities:

In the FBiH, GAP will continue joint efforts with municipal Association regarding the following laws:

1. **Law on Real Rights;**
2. **Law on Forests;**
3. **Law on Construction Land;**
4. **Law on Concessions.**

In the RS, GAP will continue its previous activities on implementation of the Law on Real Rights (RS) and harmonizing other legislation with the RS Law on Real Rights, prioritized by the Municipal Association.

GAP will continue to provide technical and expert assistance to Associations in addressing these or other laws and regulations in improving legislative and regulative environment, as described in the schedule below.

**Link to Year 2 Work Plan:** In Year 1, GAP completed the necessary analysis to allow for the preparation (and, in the RS, enactment) of the new Laws on Real Rights, including surveys of municipalities, analyses of laws, and data collection on revenues from property by partner municipality. In Year 2, GAP continued previous work and produced a document on modernization of asset management based on surveys, workshops, and practices of local governments in BiH. GAP has also provided assistance to Municipal Associations in defining policy priorities concerning the legal framework and conducting concrete steps towards its improvement.

**Results:** Municipalities will be able to increase own-source revenues and improve their development plans. As a consequence, the policy framework will be improved to allow for substantially increased local autonomy in decision making and finances.

**Counterparts:** Municipal Associations, Coordinating Committee, entity parliaments, government (Ministry of Justice), and relevant international stakeholders.

**Resources:** GAP staff, local and regional/international STTA, training, workshops, working groups.

**Schedule:**

**A) Schedule for the assessment of asset management:**

- |                 |  |
|-----------------|--|
| Feb - May 2010: | Develop a Guidebook on Asset Management, combining the experiences from municipalities in BiH with guidebooks from other countries.        |
| May - Aug 2010: | Develop and conduct practical trainings for municipalities in BiH to implement the Guidebook and improve management of municipal property. |

**B) Schedule for legal and policy changes:**

Jointly with the municipal Association of FBiH continue working on changing the following laws:

1. Support Association activities on facilitating adoption of the **Law on Real Rights**, and other legislation which needs to be harmonized with it.

- |                  |   |
|------------------|---|
| Jan - Mar 2010:  | Produce a lobbying agenda for adoption of the draft FBiH Law on Real Rights jointly with municipal Association. Harmonizing other legislation with the FBiH Law on Real Rights will be scheduled according to the following steps, subject to the Association's own sequencing of priorities: |
| May 2010:        | Gather comments from municipalities regarding specific provisions of the law through the Association. Produce a list of comments to be presented to the Association's committees or boards.   |
| June 2010:       | With the Association's committees/boards and mayors from the Association Presidency, address these legislative barriers and define legal solutions. Produce amendments based on input from municipalities and discussion of the boards/committees.  |
| Jun – Sept 2010: | If required and supported by the Association, organize workshop(s) on the draft law. Collect and analyze comments based on input from the public hearing or workshop and refine a set of amendments.  |
| Oct 2010 - on:   | Following formation of a new parliament/government, forward the amendments to a relevant ministry.  |

2. In the case of amending the **Law on Forests in FBiH**, GAP's activities will be scheduled according to the following steps, subject to the Association's own sequencing of priorities:
  - Jan 2010: Implement the lobbying strategy for amending the draft Law on Forest together with municipal Association.
  - Feb –Mar 2010: If required and supported by the Association, organize workshop(s) on the draft FBiH Law on Forests.
  - Apr 2010: Following the workshop, if organized, collect and analyze comments and refine a set of amendments. Forward comments to Government /Parliament.
  
3. In the case of amending the **Law on Construction Land FBiH**, GAP's activities will be scheduled according to the following steps, the timing of which of course will be subject to the Association's own sequencing of priorities:
  - Apr 2010: Gather comments from municipalities regarding specific provisions of the law through the Association. Produce a list of comments to be presented to the Association's committees or boards.
  - May 2010: With the Association's committees/boards and mayors from the Association Presidency, address these legislative barriers and define legal solutions. Produce amendments based on input from municipalities and discussion of the boards/committees. Forward amendments to Government or Parliament.
  
4. Follow-up to the adoption of the **Law on Concessions FBiH**.
  - Oct-Nov 2010: Produce analysis of the implementation of the Law on Concessions and its effect on municipal revenues.
  - Dec 2010: Present findings to committees of the municipal Association for further action.
  
5. Provide assistance to RS Municipal Association regarding implementation of the **Law on Real Rights**.
  - Dec 2010: Organize round table/s on municipal practice implementing the Law on Real Rights. Based on discussion, identify possible policy priorities, if any. (This activity is scheduled for December in order to allow sufficient time for municipalities to be able to judge provisions of the Law, and also to include newly appointed government/parliament representatives in the workshop).

Harmonizing other legislation with the RS Law on Real Rights will be scheduled according to the following steps, subject to the Association's own sequencing of priorities:

- Apr 2010: Gather comments from municipalities regarding specific provisions of the law through the Association. Produce a list of comments to be presented to the Association's committees or boards.
- May 2010: With the Association's committees/boards and mayors from the Association Presidency, address these legislative barriers and define legal solutions. Produce amendments based on input from municipalities and discussion of the boards/committees. Forward to Government /Parliament.

## **Activity C.6: Present the Revenue Database to Municipalities**

### **Activity objective:**

- *Better information leading to greater fiscal decentralization*

**Rationale and link to previous work plans:** In Year 1, GAP provided the FBiH Ministry of Finance's Fiscal Policy Department a database for the collection of monthly reports on revenues from municipalities (and cantons) directly. The database was delivered in December, and the MoF was satisfied with the concept. But, during Year 2 of the project, the MoF ran into issues of funding and coordination of server time that slowed implementation.

Over the past year, the FBiH Ministry of Finance has committed itself to gathering timely and accurate data on local government revenues and has been working with GAP to develop a new reporting system and database on local government revenues. This effort is a significant success; the new reporting system should begin operations in January.

Meanwhile, the FBiH parliament has requested that the Ministry of Finance undertake a comprehensive analysis of the revenues of all levels of government in the Federation and to propose changes in the Law on the Allocation of Revenues. The MoF decided it wants to approach this by making first an in-depth analysis of all revenues in the Federation and then based on research proceed to amendments (if research finds them necessary). The MoF approached GAP asking for help in compiling this report.

**Approach:** GAP will work together with the FBiH Ministry of Finance and the working group the Ministry composes in conducting the research and then drafting the report on revenues in the FBiH.

**Results:** The Ministry of Finance will have detailed information on revenues to assess impacts of policy changes; they and municipalities will have better information to assess current revenue assignments that could lead to further decentralization.

**Counterparts:** FBiH Ministry of Finance, FBiH Association

**Resources:** GAP policy staff, local STTA

## Schedule:

Jan – March 2010	Provide assistance to MoF in drawing data for the database and analyzing it, creating regular reports and developing analyses for MoF internal use.
April – June 2010	Upon the creation of the working group by the MoF, participate in its work and provide technical assistance as needed to: <ul style="list-style-type: none"><li>• Organize the collection of all relevant cantonal legislation and municipal decisions regarding own revenues</li><li>• Organize data and draft of report inputs on collected information</li><li>• Gather data from the database (2009 data and 2010 data for the first 4 months) and produce analysis of revenues by municipality, correlating them with the gathered information about the legal framework</li><li>• As a backup for data, collect internally in GAP the information from IABS from our partner municipalities, and also to cross check the accuracy of information the MoF receives through its channels. (Use information collected in activity C.2.)</li></ul>
July – Sep 2010	Based on data collected, create a comprehensive analysis of local government non tax revenues, in particular the effects of rules the cantons impose on local governments with regard to administrative fees and charges, fees for use and development of construction land, the business sign fees and fees for use of public space. Give suggestions to regulate this particular area in the FBiH to the Ministry.
July – Sep 2010	Assist the MoF in drafting the report that will outline the information gathered and provide suggestions about the improvements to the revenue allocation system and regulation of non-tax revenues, if necessary.
Oct – Dec 2010	Assist the MoF in drafting regulations for the revenues allocation system and non-tax revenues, if such are found necessary during the research.

## Activity C.7: Review collection and structure of shared revenues, RS

(Note: Contingent on its (expected) approval by the RS Association in December 2009; follows the schedule recommended by the Chair of the Finance Commission.)

**Rationale:** Adequate own-source revenue is a fundamental prerequisite for a vibrant decentralized system of government. Much progress has been made in the past few years in providing shared revenues to municipalities from the new VAT through the

Amendments on Budget System Law. Direct tax reform as had a detrimental effect on local revenues, with some reporting a 50% loss in personal income tax revenues. The Association has requested GAP assistance with a review of allocations, likely leading to a set of policy recommendations.

**Approach:** GAP will review the current legislation on allocation of taxes to municipalities, gather data for producing comprehensive analyses, and if necessary, develop an alternative method for allocation. In addition, the policy team will continue to monitor the allocation of indirect and direct taxes, developing recommendations for change as needed. Following this development, the policy team will work with the Associations, mayors, and parliamentarians to develop and introduce remedial legislation.

**Results:** The policy framework will be improved to allow for substantially increased local autonomy in decision making and finances. This action will be taken to prevent a loss in municipal revenue.

**Participants:** RS and Ministry of Finance, RS Associations of Cities and Municipalities, ITA Macroeconomic Analysis Unit, etc.

**Schedule:**

Jan – March 2010	Gather current legislation on allocation and review. Meet the MoF to seek MoF's cooperation with GAP and the Association. If cooperation from the MoF is not forthcoming, GAP will provide assistance to the Association and the Committee for Budget and Finance to continue this activity.
April-July 2010	Produce comprehensive analysis of local government shared revenues, in particular the rules the RS imposes on local governments. Develop simulator designed by GAP for tax allocation and review effects of a possible new allocation model proposal with the Committee.
Aug – Oct 2010	Present the results of the study to the Association and present to local governments for additional comments and suggestions. Organize workshops on possible changes in the models of the tax allocation.
Nov – Dec 2010	Assist the Association in presenting the study with suggestions to the MoF for legislation change, either to Draft the new Law on Local Governments Financing in RS, or Draft Amendments to current revenue allocation laws.

# CROSS-CUTTING INITIATIVES

## Overview

Several initiatives require a combined effort by both the local interventions team and the policy team or contain goals common to both. These have been separately identified in this section, and a key results area stated for each. Their accomplishment becomes a shared responsibility of both teams. The three broad areas are: improving the environment and capacity for municipal borrowing, developing a market for local government consulting services, and promoting gender equity in municipal governance. They are discussed in more detail below.

## Sub-Component A: Improving the Environment and Capacity for Municipal Borrowing (KRA 3.1)

### Introduction

This sub-component is implemented through two separate activities: an activity to bring credit providers and municipalities together in providing assistance, and an activity to directly assist a small set of pilot municipalities in matching grant funds with market-rate financing for capital projects.

### Activity A.1: Improved Coordination between Credit Providers and Municipalities

#### Activity objective:

- *To improve the environment for municipal borrowing for necessary capital improvements*

**Rationale:** The responsible management of debt to finance capital investments is an essential feature of a well-functioning local government. If present trends continue, most GAP partner municipalities will have institutionalized CIP processes by the end of 2010. However, the availability of external financing for these improvements is still quite limited due to legal and administrative limitations, the absence of adequate and clearly titled collateral, and, at the municipal level, the absence of requisite skills in debt management and understanding of concepts and rationale for debt management.

Co-financing of capital improvements, as envisioned under the GAP program, can also assist in stretching donor funds, leveraging resources to provide needed capital improvements, and improve the viability of individual capital improvement loan packages. This, in concert with other activities, should further help establish a supportive environment for municipal borrowing.

**Approach:** Building upon its CIP activity and co-financing program, as well as progress made in the first two years, GAP will work on improving the overall conditions for municipal borrowing. In the first year, GAP undertook an analysis of the current debt market and its functioning, assembled data on debt issuance, provided training for municipalities in debt management along with the CIP process, and conducted initial

intermediary work with financial institutions. In addition, GAP worked on adoption of the relevant sub-legal regulations (rulebooks) for the RS Debt Law and, in the Federation, helped the Ministry of Finance present already finalized rulebooks to the users (local governments and cantons) through co-sponsorship of a series of workshops with the MoF and Municipal Association. GAP is also involved in the initial stages of the preparation of amendments to the debt laws in the entities. In the second year, GAP further worked with the RS MoF on these rulebooks together with OSI and BH Experts, with collective inputs formally accepted late in the year, and completed the debt databases in each entity. The RS MoF has formed a working group to complete these rulebooks; GAP will monitor and assist as needed and requested.

GAP activities in budget and financial reform will also benefit municipalities in their ability to obtain loans and manage debt. Proper capital budgeting, the reconciliation of separate capital and operating budgets, and an understanding of the need to maintain an adequate budget surplus and budget reserves are critical to budget sustainability and municipal creditworthiness. A transparent and participatory budget process will also facilitate both public acceptance of municipal borrowing and increase lender willingness to work with the municipality on financing.

On the supply side, GAP will continue to build on the *Municipal Credit Market Report* published in 2008 and materials prepared in 2009 facilitating meetings and workshops with key players as appropriate to identify funding sources and any impediments to financing. In case loans are available for specific projects only (e.g. waste management), GAP will assist with the recognition of these projects in the municipal five-year CIPs.

Upon completion of these activities, we anticipate that a number of municipalities will be better positioned to borrow for capital improvements, and sources of financing will be identified. A related activity would be assisting potential lenders in the specifics of municipal finance and creditworthiness issues to increase their comfort with municipal borrowing and ability to issue loans. Once credit becomes available, we could possibly coordinate this training with another donor project or through regional or international technical assistance.

At this point, GAP activities will focus on bringing potential borrowers together with potential lenders, similar to the GAP mayor's conference held in June 2009. The municipal fair could be an ideal opportunity to do so, if held; if not, GAP will find another occasion. Following, as in 2009, GAP will include relevant topics in its workshops for both finance directors and capital improvement planning coordination teams.

In addition to this targeted assistance, GAP will continue to work with its partner municipalities in advising them on resolving issues related to contracting of loans. This, in connection with GAP assistance in capital improvement planning and the availability of co-financing resources through this program, will further help partner municipalities make essential investments.

**Results:** Municipalities will be have a better legal environment for borrowing, as sub-legal regulations will be in place in both entities and municipal ownership issues are resolved.

Municipalities will also be able to make educated decisions on municipal borrowing as they will better understand the creditworthiness assessment process, interest rate determination, the loan packaging process and public procurement of loans.

All major actors will have a better understanding of factors affecting the supply and demand and minimal requirements for successful lending.

**Link to Year 2 work plan:** Although all activities were carried out as scheduled in 2009, the freezing of credit markets severely limited the availability of funds, as did the widespread deterioration of municipal finances. It is hoped that funds will become available in 2010; if not, this training and information will benefit municipalities when funds do become available.

**Counterparts:** Municipalities, bankers, WB, European Investment Bank, etc.

**Resources:** GAP Policy, local interventions, and CIP teams, local and regional or international STTA.

**Schedule:**

First half 2010:	Credit market session at municipal fair or other event, with presentations on borrowing and creditworthiness
Sep 2010:	Regional training on creditworthiness assessment, loan packaging and public procurement of loans
Ongoing	Individual meetings and discussions with partner municipalities on debt-related issues from GAP capital projects staff and others.

**Activity A.2: Intensive Assistance on Market-Rate Loan Co-Financing**

**Activity objective:**

- *To improve the capacity of municipalities to obtain market-rate loans from financial institutions and the willingness of financial institutions to provide those loans*

**Rationale:** Although activity A.1 and activities in 2008 and 2009 were designed to assist in bringing together lenders and municipalities, for municipal lending at market rates to become more mainstream it is necessary provide more focused assistance, especially in light of the current crisis in the credit markets.

Although a similar approach was attempted in the first phase of this project, the requisite legal framework was not in place, and the idea was dropped. This framework now does exist, and financial conditions being what they are, it is likely necessary to reattempt targeted assistance.

**Approach:** GAP will identify at least two additional municipalities that are willing and prepared to serve as trailblazers in demonstrating how to obtain market-rate loans in capital financing of municipal projects. This has proved to be a large challenge everywhere it has been attempted. A successful program could prove to be an incentive for higher-level governments in BiH to blend grants (subsidies) with market-rate borrowing. The positive payoff for efficient blending of such institutional funds is large, and the track record of what can go wrong when project subsidies are inefficiently matched with market-rate loan funds also is impressive.

A workable, sustainable model will require as much collaboration with banks as with municipalities. Banks need to understand how to appraise projects that have an earmarked grant element. Special procedures will need to be set up, by both the lending banks and the municipality, as to how the sequencing of grant and loan funds will work, what kind of security can be offered from the project to the lending bank, whether it is most efficient to give grants and loans separately to the municipality or use the grant to buy down the cost of loan funds from the banks, and so forth.

Following successful completion, the trailblazer municipalities will present their experience at workshops arranged for that purpose and agree to mentor other municipalities seeking to obtain such financing.

**Results:** Municipalities and banks have successful examples of blending grant or subsidy funds with market-rate loans for capital projects, increasing the available funding sources for these projects.

**Link to Year 2 work plan:** In Year 2, two municipalities were selected as trailblazers: Foča and Sanski Most. Both received special assistance in loan packaging and creditworthiness from GAP staff and local STTA. Foča was successful in placing a loan, Sanski Most has not been (to date). GAP will continue to assist Sanski Most, but will select two new Cohort 3 municipalities for assistance.

**Counterparts:** Banking industry representatives, municipal governments, entity-level governments.

**Resources:** GAP staff, local, regional and international STTA.

**Schedule:**

- |                 |   |
|-----------------|---|
| Jan – Feb 2010: | Additional trailblazer municipality identified; additional work with financial institutions on obstacles to lending and blending with grant funds   |
| Mar – Apr 2010: | Detailed work with trailblazer municipalities on creditworthiness and obtaining loans, identification of specific projects, identification of potential lenders; work with lenders on timing of projects, qualifications, and so forth. Immediate result is a set of potential loan packages. |
| Fall 2010:      | Trailblazer municipalities present experience at regional workshops.  |

## **Sub-Component B: Developing a Market for Local Government Consulting Services (KRA 3.2)**

### **Introduction**

This sub-component is implemented through three separate activities: developing a database of consultants, improving municipal capacity to use their services, and promoting a consultancy market. In addition, a number of other activities mentioned elsewhere in this report (training on IABS, peer mentoring, etc.) will also help facilitate

the development of this market, as will reforms designed to advance the service level of municipalities, especially the demand-driven Municipal Action Plans.

## **Activity B.1: Developing and Implementing a Database of Consultants for Local Governments**

### **Activity objectives:**

- *To assist municipalities in accessing consulting services; and*
- *To improve the capacity of the two Municipal Associations to serve their members through access to consulting services.*

**Rationale:** Although a core group of consultants has begun to evolve in BiH, there is as yet no formal mechanism for municipalities to identify potential consultants along with their areas of expertise.

**Approach and Link to Year 2 work plan:** The structure and specification of the database was completed in Year 1 and the process of data entry began. In Year 2 this database was put into full operation and ownership handed over to the Associations of municipalities, enabling them to pair municipalities with experienced consultants and organizations. The activities in the Year 3 will consist largely of ongoing support to the Associations in use of the database. This may initially include retaining hosting of the database on the GAP project server as well as assisting the Associations in determining utilization patterns and reviewing funding options to make the database sustainable. These options include revenue from membership dues or fees, access fees for municipal users, listing fees by consultants, or some combination of the above.

**Results:** Through access to information about consultants' availability, skills and qualifications, municipalities will be better able to utilize consulting services. Consultants will have a means of marketing their skills, indirectly assisting the growth of this industry. Further, by providing a means of checking references through a work history, consultants will also be held more accountable for past performance.

**Counterparts:** Municipal staff, representatives of Municipal Associations, Members of other IC Projects working on improved consultancy market in BiH

**Resources:** GAP Specialists, local STTA for database development and training Association staff on use and updating, associated software and hardware as needed.

### **Schedule:**

- |           |  |
|-----------|--|
| Ongoing:  | Support Associations in use of database, referral of consultants and funding and hosting options |
| Dec 2010: | Turn over full operation and hosting responsibility to Municipal Associations                    |

## Activity B.2: Improving Municipal Capacity to use Consulting Services

### Activity objective:

- *To provide municipalities with the basic knowledge and tools needed to use consultancy services.*

**Rationale:** Many local governments in BiH have had limited experience in contracting for consulting services. The objective of this activity is to increase the understanding of the role and use of consultancy services among municipalities, to build familiarity and develop experience in working with consultants, and to provide tools and knowledge to be able to contract, monitor and evaluate these outside experts.

**Approach:** Although this has been an ongoing activity cutting across and supporting a number of other GAP activities, the core assistance under this activity will be to continue to provide municipalities with essential training and support in the use of consulting services. This training and associated materials is covering appropriate use of consulting services for municipalities, working with the service “cycle” (from identifying need through contract completion and follow-on evaluation), the legal environment for contracting and consulting, issues of ethics and potential conflicts and working with the database of consulting services developed by GAP.

This training was conducted in connection with working out the implementation of Municipal Action Plans in legacy and Cohort 3 municipalities and with capacity development for Capital Improvement Project implementation. Training materials are consolidated into a handbook on contracting for consulting services developed and distributed by GAP. This will be repeated for Cohort 4 (and Cohort 3 CIP implementation). Additionally, practical advisory assistance will be provided regarding the RFP preparation and contract negotiation.

**Results:** Municipalities will have a greater understanding of the use of consultancy services along with the expertise necessary to do so independently. As a result, there will be increased demand for quality consulting services.

**Link to Year 2 work plan:** Ongoing implementation through MAP and CIP processes.

**Counterparts:** Representatives of municipal departments and representatives of Municipal Associations

**Resources:** GAP staff, local or regional STTA, handbook reproduction and training costs

### **Schedule:**

Ongoing: Provide one-on-one training to MAP working groups on contract performance evaluation, with contracts to be evaluated on completion of the MAP consulting service, and through CIP training and implementation.

## Activity B.3: Promoting a Consultancy Market

### Activity objective:

- *To help establish a dynamic and sustainable market for consultancy services to municipal governments*

**Rationale:** For specialized consulting to municipalities to be a sustainable profession, there must be both an adequate supply of consultants and adequate demand for services from municipalities. The database development activity will assist with the identification of potential consultants, and the training in the use of consulting services will give municipalities the tools needed to contract with them. What remains is establishing opportunities for interaction between municipalities and consultants and identifying funding sources for purchasing consulting services.

**Activity:** GAP will work with municipalities, Associations, and consultants to identify opportunities for the use of consulting services as well as potential funding opportunities. Events such as municipality fairs, conferences and workshops led by GAP and others, Association meetings, and similar events will provide the opportunity for consultants to interact with potential clients as well as for promotion of the consultancy market.

GAP will also work with municipalities to identify opportunities for the funding of consulting services. These funding opportunities will be both within the GAP project through demand-driven assistance, the GAP Partners' Fund to provide resources for local short-term technical assistance through the MAP, co-financing of improvements, and through other outside resources such as EU pre-accession funds.

**Results:** Municipalities will be able to obtain funding for consulting services and more fully appreciate the value of these services. By so doing, the quality of municipal service provision will improve.

**Link to Year 2 work plan:** Ongoing, project-long activity.

**Counterparts:** Representatives of municipal departments, representatives of Municipal Associations, consultants.

**Resources:** GAP staff; GAP partners' fund; local or regional STTA

### **Schedule:**

- |  |   |
|--|---|
| Date TBD <sup>8</sup> :                    | Work with organizers of the Municipal Fair to identify and invite consultants to participate at the Fair, organize a session on consulting. |
| Jan 2010 – date of the Fair <sup>9</sup> : | Review of funding opportunities for consulting services;<br>Review of range of consultancy services and likely demand                       |

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<sup>8</sup> Connected with the decision on the Municipal Fair date

<sup>9</sup> In case the results of the work are to be presented at the Fair.

for those services. Presentation at the fair (or other separate event).

Ongoing: Increased consultant representation at conferences and fairs.

Ongoing: Collect and provide information to municipalities in locating funding for consulting services.

## **Sub-Component C: Promoting Gender Equity in Municipal Governance (KRA 3.3)**

### **Overview**

The State *Law on Gender Equality* establishing the institutional mechanisms for gender equality at all levels of authority has been in place in BiH since 2003. In 2007, the BiH Gender Action Plan (GAP) was adopted as an additional strategic document for implementation of the aforementioned Law. At the local level of government it is envisaged that gender committees will be established, either within the mayor's office or within the municipal councils, to deal with gender issues on the municipal level.

However, as is often the case, these institutions exist on paper only. The municipal gender outreach of the majority (if not all) of BiH municipalities is quite meager, to the point that citizens and the NGO sector question the very existence of these gender committees.

There are a number of reasons for this situation, stemming in large part from a lack of strong interest in these issues despite the existence of this legal framework, the requirement for gender institutions at all levels of government and widespread NGO work on gender issues. These include:

- *Poor gender awareness* resulting from a lack of recognition that every municipal policy, program, or/and project affects women and men differently;
- *A lack of gender- disaggregated data* and, consequently, an inability to argue and lobby for gender sensitive policies with supportive data;
- *A lack of adequate training on gender issues* among municipal officials (it is often the case that the council, which is in charge of giving the mandate to the gender committee, has little or no gender sensitivity and/or knowledge);
- *Budget constraints* as an excuse for no gender related projects or policies on the local level;
- *A failure to recognize the NGO sector as an important partner* in gender dialogue that can complement municipal services in the areas where the municipalities have no capacities, such as gender-related issues.

### **Activity C.1: Harmonize Municipal Statutes with the Law on Gender Equality**

#### **Activity objective:**

- *To harmonize municipal statutes with the Law on Gender Equality and make that law fully effective*

**Rationale:** Although envisaged by the state Law on Gender Equality (LGE), municipal statutes often lack harmonization with this Law, limiting its applicability and preventing the implementation of policies that are gender balanced.

**Activity:** In the first rounds of MAP project selection, no municipality selected the program that would have enabled GAP to assist in expanding their gender outreach despite contacts with the Gender Centers and other agencies. GAP will again offer this as a potential service area in the MAP and again suggest they contact municipalities on this issue. GAP will continue to discuss such a project with the Municipal Associations and other interested groups to find a sponsor for such action. In addition, GAP will continue to review all legislation encountered to determine compliance with the law on gender equity. Should a model set of municipal statutes be developed, in cooperation with Gender Centers of FBiH and RS, GAP will provide these statutes to the Municipal Associations and to individual municipalities.

**Results:** Once gender legislation is embedded in the municipal statutes, municipalities will have a solid framework for their future actions with regard to recognition and promotion of equality between men and women. The harmonized statute will be the basis for the future actions of the municipal gender committees.

With sponsorship of a municipality or agency, a set of model municipal laws and/or amendments will be developed and made available to NGOs, the Gender Centers, Municipal Associations and municipal gender committees.

**Link to Year 2 work plan:** In Year 2 this MAP card was offered to Cohort 3 municipalities.

**Counterparts:** Municipalities, municipal gender committees, Gender Centers of FBiH and RS, relevant NGOs

**Resources:** GAP staff and potentially international STTA (depending on demand)

**Schedule:**

Feb 2010: Discuss statutory reform with Municipal Associations and Gender Centers

Jun 2010: Gender legal reform to be incorporated in catalogue of municipal services for the MAP for Cohort 3.

As requested under the MAP, we will undertake the following steps:

Analysis of gender equality legislation in the municipality vis á vis the Law on Gender Equity;

Drafting amendments to municipal statutes or new statutes as appropriate;

Training and explanation to municipal officials, gender committee members and others.

## **Activity C.2: Increase Gender Awareness of Municipal Councils and/or Municipal Gender Committees**

### **Activity objective:**

- *To increase awareness that gender equality is not only important for social justice but also for the success of municipal economic programs*

**Rationale:** Gender awareness of municipal councils is a crucial pre-condition for any gender sensitive decision making process, especially including the annual budget. Since the council is the one to decide on the mandate (scope of work) and the budget of the gender committees, their role cannot be fulfilled or accomplished without understanding what gender sensitive policies really mean.

**Activity:** GAP will continue to incorporate training on gender awareness in its training on budgeting for new municipalities and legacy municipalities using methods developed with UNIFEM. This training will include developing an understanding of gender-related issues, an overview of budgeting and its consequential different effect on men and women, boys and girls and subgroups of each, how to construct gender-responsive budgets, and how to measure outcomes of the budget (and other) processes by gender.

**Results:** Increased understanding of gender issues among councilors and municipal officials; greater consideration of gender-related consequences of resource allocation.

**Link to Year 2 work plan:** Continuation of training begun in Year 1 and Year 2 through UNIFEM and project materials.

**Counterparts:** Municipal officials, Gender centers, NGOs, STTAs

**Resources:** GAP staff, STTA as needed, UNIFEM material and possibly training

**Schedule:** To accompany budget training and assistance for new municipalities and legacy municipalities.

## **Activity C.3: Assure Gender Balance in Capital Investment Decisions**

### **Activity objective:**

- *To better balance men's and women's needs in infrastructure projects*

**Rationale:** Experience has shown that women and men have different priorities and preferences in relation to municipal infrastructure capital projects (and have different access and control over the infrastructure services) based on their socially ascribed roles, responsibilities and ownership over assets and financial resources. By recognizing these differences the municipalities will be able to provide appropriate and accessible infrastructural services that meet the needs of both women and men.

**Approach:** GAP will continue to train CIP and CDPC coordinating committee members on gender-responsive budgeting for capital projects and inclusion of women

entrepreneurs and women's NGOs in capital improvement plan development. The trainings will increase capacities of participants to lobby for more sensitive gender policies but at the same time promote the tripartite dialogue between the private, NGO and government sector. Therefore, it is very important to work on strengthening of cooperation between municipal gender committees and NGO sector as to increase capacities of women's organizations to influence decisions regarding design of public services and infrastructure.

**Results:** Increased understanding of gender issues among councilors and municipal officials; greater consideration of gender-related consequences of resource allocation for capital projects.

**Link to Year 2 work plan:** Continuation of training begun in Year 1 and Year 2 through UNIFEM and project materials.

**Counterparts:** Gender Centers of FBiH and RS, women NGOs, women entrepreneurs, consultants, UNIFEM, UNICEF

**Resources:** GAP staff, local STTA, workshops and training materials

**Schedule:** To accompany CIP training and follow capital projects co-financing

# MONITORING AND EVALUATION

## Introduction

An integral part of GAP activities is the process of monitoring and evaluation (M&E). To manage for results effectively, the regular collection, review and use of performance information is critical. Performance information is used to

- Improve the performance and effectiveness of activities;
- Revise the approach as needed;
- Plan new objectives, results packages or activities;
- Decide whether to abandon failing activities, strategies or objectives; and
- Document and report findings on the impacts of assistance.

**Performance monitoring systems** track and alert management, client and stakeholders as to whether actual results are being achieved as planned. They are built around a hierarchy of project objectives logically linking activities and resources to expected results through cause-and-effect relationships. For each objective, one or more indicators are selected to measure performance against explicit targets (planned results to be achieved by specific dates). Performance monitoring is an ongoing, routine effort requiring data gathering, analysis, and reporting on results at periodic intervals.

**Evaluations** are systematic analytical efforts that are planned and conducted in response to specific management questions about performance of assistance programs or activities. Unlike performance monitoring, which is ongoing, evaluations are occasional — conducted when needed. Evaluations often focus on why results are or are not being achieved, or they may address issues such as relevance, effectiveness, efficiency, impact, or sustainability. Often, evaluations provide management with lessons and recommendations for adjustments in program strategies or activities.

The purpose of GAP monitoring and evaluation is to answer the following questions:

- **For the GAP team** – How is our program doing? What activities should be modified to strengthen the overall impact of the program? How can we redeploy resources to improve our performance?
- **For Municipalities** – How well are we performing in providing good governance? Where should we focus our resources to improve our performance?
- **For donors** – How is GAP performing? What are the program results? Can the project be improved?

Three major monitoring and evaluation tools are used throughout the project life. These tools are:

- Performance-Based Monitoring Plan (P-BMP);
- Municipal Capacity Index (MCI); and
- Attitudinal Surveys.

These tools were created and designed in a way to support, rely and complement each other.

GAP arranges and presents data in user-friendly and reader-friendly formats and help counterparts present their own data so that it can be easily understood by their audiences (e.g., members of the Municipal Associations, citizens). We also provide updated performance data in quarterly project reports and annual work plans. The format shows performance with respect to targets and provides explanations when targets were not met or were significantly exceeded.

## **Performance-Based Monitoring Plan (P-BMP)**

A Performance-Based Monitoring Plan is a critical tool for planning, managing, and documenting data collection. It contributes to the effectiveness of the performance monitoring system by assuring that comparable data are collected on a regular and timely basis. These are essential to the operation of a credible and useful performance-based management approach. P-BMP promotes the collection of comparable data by sufficiently documenting indicator definitions, sources, and methods of data collection. This enables operating units to collect comparable data over time. P-BMP supports timely collection of data by documenting the frequency and schedule of data collection as well as by assigning responsibilities. Operating units should also consider developing plans for data analysis, reporting, and review efforts as part of the P-BMP process. It makes sense to think through data collection, analysis, reporting, and review as an integrated process. This helps keep the performance monitoring system on track and ensures performance data informs decision-making.

GAP developed a set of performance indicators closely related to the GAP Results Framework. The performance indicators are clearly and carefully selected to measure expected results/deliverables specified in the Project Scope of Work. The P-BMP serves as a “living” document that the GAP management team uses to guide overall project performance. One of the key principles of the P-BMP is that it is a useful tool for management and organizational learning; the P-BMP is *not* merely a mechanism to fulfill USAID/Sida/EKN reporting requirements. As such, it is updated as necessary to reflect changes in GAP strategy and ongoing project activities.

P-BMP implementation is therefore not a one-time occurrence, but rather an ongoing process of review, revision, and re-implementation. The P-BMP is reviewed and revised annually - guided largely by suggestions generated by JMC, GAP team, municipalities and other stakeholders, as well as modifications of work plans during the life of the project. We believe that municipal participation in the development of these performance measures assists them in developing their own performance monitoring plans. As local governments develop their own MAPs and begin monitoring progress toward their own outcomes, those indicators will be linked to the P-BMP and reviewed routinely.

In past two years year of implementation of GAP phase two, the following activities related to P-BMP were completed:

- Design of GAP2 P-BMP according to above mentioned principles;
- Conducted Baseline Survey on all performance indicators;

- Submitted a comprehensive Report on P-BMP Baseline Survey (May 2008);
- Conducted regular quarterly, semi-annual and annual surveys on specific performance indicators;
- Conducted creation of Municipal Score Cards in January 2009 with delivery to municipalities;
- Conducted two annual surveys on budget performance indicators in 2008 and 2009 with thorough analysis;
- Reported on quarterly findings on quarterly performance indicators as an Annex to GAP Quarterly Reports;
- Conducted three regular surveys on P-BMP; and
- Submitted comprehensive reports on the P-BMP Regular Surveys (November 2008, April 2009 and November 2009).

In Year 3, GAP P-BMP activities will focus on following issues:

- Conducting regular quarterly, semi-annual and annual surveys on specific performance indicators;
- Reporting on quarterly findings on quarterly performance indicators as an Annex to GAP Quarterly Reports;
- Conducting two P-BMP regular surveys;
- Conducting an annual survey on budget performance indicators with thorough analysis, especially in regard to the effects of the world-wide economic crises on municipal budgets; and
- Reporting on two P-BMP regular surveys (May 2010 and November 2010);
- Producing of Municipal Score Cards for 2009.

In addition, the M&E Specialist will carry out annual data quality assessment reviews as well as ensuring the quality of any data collected by any partners.

## **Municipal Capacity Index (MCI)**

In the course of planning, implementing, and measuring their activities, GAP managers often find that a partner's or municipality's lack of capacity stands in the way of achieving results. Increasing the capacity of partners and municipalities helps them carry out their mandate effectively and function more efficiently. Strong organizations are more able to accomplish their mission and provide for their own needs in the long run.

The Municipal Capacity Index (MCI) is a weighted index that measures the performance of participating municipalities in areas of GAP assistance. The Municipal Capacity Index has been developed to provide a realistic, objective evaluation of the improvements of project municipalities in the areas specified by the JMC.

The MCI attempts to convert a complex set of qualitative data and presents it in a quantitative measurement - a score from 0 to 100 for each city. Within each category, a number of indicators have been established, each valued at a maximum of five points. These indicators are tied to specific outputs specified in the Scope of Work for the second phase of GAP. Each question is graded on a five point scale.

Most of the questions, unless otherwise stated, following the same scoring progression: zero points - municipality is not in compliance with the law or ideas espoused by the program; one point - municipality is compliant with laws or has reached a minimum standard; two points - some additional steps have been taken to improve compliance; three points - further steps towards compliance have been taken, or better integrated, or taken with a view toward longer term planning; four points - citizen feedback is incorporated into the change or a more formal and comprehensive procedures have been adopted; five points - municipality has reached the ideal level, impact is clearly recognized, and institutionalization is assured. Scores are progressive. A municipality must meet all the criteria assigned to points 1, 2, 3 and 4 before it can be considered for 5 points.

MCI data are used to evaluate project success by region, by category and over time. Data from partner municipalities are being evaluated against data collected in municipalities not participating in GAP. These municipalities serve as a control group from which to assess general reforms that may be occurring unrelated to the project interventions. As the project proceeds and new project municipalities are added, baseline data for the new municipalities will be gathered. GAP provides MCI scores every six months.

In first year of implementation of GAP phase two, the following activities related to MCI were completed:

- Design of GAP2 MCI according to above mentioned principles;
- MCI Baseline Survey;
- Report on MCI Baseline Survey as part of the Report on P-BMP and MCI Baseline Survey (May 2008);
- MCI first Regular Survey; and
- Report on first MCI Regular Survey as a part of the Report on P-BMP and MCI Regular Survey (November 2008).

In Year 3, GAP MCI activities will focus on following issues:

- Two MCI Regular Surveys (April 2010 and October 2010); and
- Two reports on findings from MCI Regular Surveys (May 2010 and November 2010).

Based upon the findings from MCI surveys in next year and in comparison to first two project's year, M&E Specialist will make an evaluation of MCI indicators along with any recommendations.

## Attitudinal Surveys

A citizens' service assessment is a management tool for understanding programs from a citizen's perspective. Most often these assessments seek feedback from citizens about a program's service delivery performance.

Experience indicates that effective citizens' feedback on service delivery improves performance, achieves better results, and creates a more participatory working environment and thus increases sustainability. These assessments provide GAP staff with the information they need for making constructive changes in the design and execution of development programs. This information is also shared with partners and citizens as an element in a collaborative, ongoing relationship. In addition, citizen's service assessments provide input for reporting on results, allocating resources, and presenting the operating unit's development programs to external audiences.

Attitudinal Surveys assist GAP managers, field staff and partner-municipalities' working groups to accurately redesign and/or improve current approach to municipal services. This tool is used to gauge citizens' perception of municipal service delivery. Additionally, as local governments develop their own MAPs and begin monitoring progress toward their own outcomes, attitudinal surveys might be a useful tool in identification of some specific areas that require improvement and changes over time. Further, municipality exposure to attitudinal surveys assists them in developing their own survey instruments and interpreting the results.

The main goal of the survey is to provide baseline and regular data (depending on Cohort) for measuring project implementation. In addition, it introduces a new management tool to GAP's partner municipalities, who are encouraged to use in-house generated attitudinal surveys on a regular basis.

GAP conducts citizen surveys in the municipalities where we are implementing GAP, as well as in some control municipalities (control group of municipalities). GAP organizes the survey; prepare, conduct, and analyze the results; and report on these results using its own resources. The results are shared among stakeholders, municipalities and Municipal Associations. Since municipalities are encouraged to organize their own surveys on specific municipal issues, GAP provides necessary training and support.

In first two years of implementation of GAP phase two, the following activities related to attitudinal survey were completed:

- Conducted a repeated annual survey on citizens' satisfaction with municipal services delivery in 41 legacy municipalities and established baseline data in 15 new and control municipalities (June-July 2008); and
- Conducted a repeated annual survey on citizens' satisfaction with municipal services delivery in 41 legacy municipalities, fifteen municipalities of the third cohort and established baseline data in 16 new and control municipalities (October 2009); and
- Comprehensive Report on Attitudinal Survey 2008 (August 2008).
- Comprehensive Report on Attitudinal Survey 2009 (November 2009).

In Year 3, GAP activities related to attitudinal survey will focus on following issues:

- Organization, selection of pollsters, training of pollsters, poll at the field in all GAP partner municipalities and control group of municipalities, with data collection, analyzing and processing;
- Reporting and analysis on findings from attitudinal survey.

Citizens' service assessments thus complement broader performance monitoring and evaluation systems by monitoring a *specific type* of result: service delivery performance from the citizen's perspective. By providing GAP managers and donors with information on whether citizens are satisfied with and using a project's products and services, these assessments are especially useful for giving early indications of whether longer term substantive development results are likely to be met.

## **APPENDIX 1: PROJECT IMPLEMENTATION SCHEDULE**

Please see attached document

## **APPENDIX 2: PERFORMANCE-BASED MONITORING AND EVALUATION PLAN**

Please see attached document

## APPENDIX 3: COORDINATION AND ANTI-CORRUPTION STRATEGY

### Coordination with Other Donors

BiH has a bewildering array of donors and projects, and coordination can easily become a significant issue. A hallmark of the GAP project is its work to prevent this from becoming a problem through a broad and ongoing coordination with other donors and projects and, in fact, to take advantage of the best assistance available. GAP meets regularly with other donor projects to share experience and prevent overlap or gaps in assistance as well as to learn from other projects, and to allow other projects to learn from GAP (in Year 2, GAP hosted visitors from a Sida project in South Africa and a USAID project from Palestine to study GAP's methods).

GAP's work with other projects is targeted at three objectives: (1) to improve the relevance and sustainability of direct assistance provided by GAP, (2) to leverage resources above and beyond those available to the project towards the achievement of project goals, and (3) to improve the effectiveness of activities implemented by other donors and, in so doing, assist them in the attainment of mutual goals.

GAP works with other donors in several ways to achieve these objectives. In general, GAP's assistance helps ensure the success of other projects: GAP's training in procurement, for example, makes donor projects incorporating material assistance more likely to be effectively implemented, as does our training in capital improvement planning; our work in budgeting and finance equips local governments with the software and skills needed to manage funds appropriately; our work with project management and proposal preparation is improving the ability of local governments to apply for and manage all donor-funded projects, not just IPA funds when they become available; and the demonstrated general improvement in the quality of services and attitudes and consequent increase in public support that is characteristic of GAP partner municipalities gives other projects the confidence to proceed knowing it is possible to realize measurable, relevant and sustainable reform at the municipal level.

With respect to individual projects, GAP provides assistance in four ways. First, as a result of our close connections to partner municipalities, relevant government agencies, and Municipal Associations, GAP provides information and intelligence to the benefit of other donor programs to assist them in achieving common goals. A few examples of this type of assistance provided include work with the new Sida-funded PERA project at the MZ level, the EC on municipal records and record sharing for purposes of visa liberalization, and the UNDP ILDP project, which shares some partner municipalities with GAP.

Second, GAP also works with other donor projects to obtain information to improve GAP activities. A few examples from the first two years include discussions with USAID TARA on income tax reform, which led directly to change in revenue allocation to municipalities in FBiH and prevented a loss in municipal revenue, with USAID SPIRA on the design of their permitting systems to ensure compatibility, with EC staff on vital records sharing, with SNV to ascertain potential opportunities for IPA funding, and with local consulting firms on increasing opportunity for the use of consultants by municipal governments.

Third, GAP has spearheaded an effort to work with other projects to coordinate methodology, both for purposes of reinforcement of training concepts and to assure consistency in overall approach. GAP has distributed draft presentations and related training materials to other donor projects to help ensure this consistency; GAP incorporates EU project cycle management methodology developed with feedback from UNDP and SNV in training (with the latter providing direct technical assistance); GAP's approach to budget reform is based on and consistent with the DfID SPEM3 project; and gender responsive budgeting was developed with UNIFEM advisors. GAP is an original member of the advisory committee to the UNDP ILDS methodology working group that shaped its implementation.

Finally, GAP works to coordinate programs directly to avoid overlap and gaps in assistance and leverage other resources to achieve mutual goals. In year two, GAP conducted workshops with extensive presentations by staff from SNV, DfID SPEM3, UNIFEM, and GTZ who provided requisite expertise at no cost to the project. GAP also coordinated with LGI and BH Experts on assistance to the RS in debt management, the former funding technical assistance in that regard, and with Sida directly in ensuring all municipalities have the capacity to share vital records as part of the visa liberalization initiative.

### **Year 3**

In Year 3, GAP will build on the successful cooperation model. With regard to providing information and intelligence, GAP will again work with Aecid, PERA, OSCE, UNDP, and the new FARMA/FIRMA projects as well as other donors involved in direct local interventions. With respect to policy, GAP will continue its work with existing projects to provide them information needed to assure their success, notably in the areas of cadastre and land records reform and with vital records.

Second, to improve the effectiveness of project efforts, GAP will continue to work with tax reform projects on implementation of a property tax as well as the administration of local taxes, with OHR on civil service reform, with DfID SPEM3 and the successor project to the EU Fiscal Policy Support on budgeting and reporting requirements and with the EC; with UNDP MTS on utilization of their trained facilitators and others on new programs or projects of potential value to partner municipalities.

Third, to ensure a consistent methodology and approach, GAP will continue to participate in the methodology coordination work of UNDP ILDS, with the World Bank and EC in capital improvement planning and public participation in that process; continue its joint training with SNV to bring a "Euro" flavor to its assistance in project management and make training more directly relevant to IPA; work to coordinate methods and information with DfID SPEM3 on budgeting and budget reform; and continue to coordinate with UNIFEM and others on gender responsive budgeting and capital improvement planning, including UNICEF on children's budgeting and capital improvement.

With respect to the last area, coordination of programs, GAP will continue to communicate and coordinate the EC on their new program, modeled after GAP's participatory capital improvement planning process; with OSCE and PERA on direct local interventions; with UNDP MDS on their training proposals; coordinate with GTZ on cadastre and property records reform; work directly with the new Sida project and Aecid on strengthening and improving the Municipal Associations; work with the PAR to find areas of mutual opportunity; work with DfID SPEM3 on methodology and training in

budget and public expenditure management reform – and many other projects unknown at the time of this writing.

## **Anti-corruption Strategy**

In general, GAP's work to promote democratic, accountable local governance is in and of itself an anti-corruption strategy, as decentralization is often seen as an antidote to corruption through its effect in bringing government closer to the people and consequently increasing the quality of service provision and the accountability of those who provide it to citizens. GAP specifically incorporates a strong anti-corruption strategy in all its activities. (As a project, GAP of course has its own internal controls, including financial oversight and required financial controls and assurances of integrity through reviews and audits and personnel policies covering all employees incorporating a code of ethics and conflict of interest policies, both long term and short term.) Each of GAP's key results areas has its own anti-corruption components integrated into the individual activities. Together, these efforts are designed to provide what the World Bank refers to as a "critical mass of mutually reinforcing reforms" in budgeting, service delivery, public management, capital projects, urbanism and permitting, consulting, and more that reduce corruption for corruption at the municipal level.

Improved service delivery (KRA 1.1) obviously will both increase accountability and reduce opportunities for rent seeking or other corrupt behavior, a large reason why opening and operating CSCs and UPCs results in a noticeable increase in citizen satisfaction. Citizens no longer need to travel from office to office to obtain necessary information or documents; these are obtained in one open central location, and processes designed to minimize opportunities for corrupt behavior. Similarly, as the permitting process itself improves through improvements in planning and zoning, the process becomes more transparent and the opportunities for rent seeking are reduced. Some of GAP's more advanced municipalities have begun to use the internet for distribution of information on the permitting process, further reducing opportunities for corrupt behavior. Finally, GAP's requirements that municipalities track complaints and their resolution also provides tangible evidence on the effect of improved service delivery, both quantitative and qualitative. As one citizen wrote in the Živinice comment book, "It seems to me, and I am positively surprised, that corruption loses its strength."

Improvements to budgeting and financial management (KRA 1.2) also limits the opportunity for corrupt behavior, with computerization of accounts and regular reporting and monitoring of payments and accompanying internal controls limiting the ability of public employees to seek bribes or unnecessary payments. GAP incorporates training in this area as part of its regular budget training. GAP also provides ongoing training to partner municipalities in BiH procurement law which, although unwieldy, is specifically designed to meet international standards for controls and avoidance of corrupt behavior. GAP's training in enhancements to the budgetary process – specifically program or results-oriented budgeting – can make the process itself far more transparent and understandable by citizens. GAP's work in local revenue optimization allows, for the first time, an understanding of relative reliance on fees and other own-source revenue, providing some transparency to an otherwise opaque activity. Finally, GAP has provided training in preparation of a simple citizens guide to the budget designed to both increase

participation and improve transparency of the budget process. Lack of such a guide is one reason for BiH's low ranking on the Open Budgets Index.<sup>10</sup>

GAP's CIP process (KRA 1.3) also meets international standards for openness, transparency, and public participation. The process itself is designed specifically to avoid favoritism or nepotism in project selection through public proposal of projects for funding, a process that incorporates full input by civil society and citizens, open and objective scoring of proposals, and public project selection. This process is a model for others in BiH, including the EC and (at some point) the World Bank. CIP/CDPC coordination teams receive training and support in participatory project selection, project management, procurement, and participatory monitoring and evaluation. With hands-on assistance from GAP staff, each municipal group has the opportunity to work through a process that meets international standards for fairness, transparency, independence and financial discipline. GAP also recently introduced the community visioning process to partner municipalities, a process designed to increase citizen input into setting long term municipal goals and an ongoing linkage of municipal actions to those goals, with required periodic reporting.

In intergovernmental communication and advocacy (KRA 2.1), GAP's assistance is of two types in reducing corruption. At a basic level, GAP helps the two Municipal Associations in developing and advocating for reforms needed to improve municipal governance and at the same time reduce corruption – reforms such as changes to the Law on Real Rights, clarification of land records, transparent revenue sharing, transparent laws on concessions, and so on. More subtly, GAP's training and provision of hands-on experience in policy analysis and preparation of advocacy materials is also important in reducing corruption at higher levels of government, including parliaments, by helping raise the standards for policy debate. A well-constructed, well-articulated, and well-publicized policy argument is difficult to simply ignore and (often) to refute; absent this, experience has shown time and again that the policy debate can degenerate into – at best – issues of personality, power or position and, at worst, corruption through bribes or other aspects of shadow lobbying.

Allowing for the exchange of vital records (KRA 2.2) will not only improve inter-municipal communication and provide important service improvements for citizens, but provide other direct benefits that will reduce the opportunity for corruption. First, the availability of electronic certified records will reduce the opportunity for identify fraud and concomitant bribery. Second, given assurances of reliability of data and identity documents, the need for frequent recourse to original documents can be reduced (albeit likely not without other law changes), reducing citizen/public official contact. Finally, the availability of electronic records will help pave the way for other e-government reforms such as online permitting, access to services, payments, and so forth, the sort of mechanization proven to be an effective remedy for corruption.

Fiscal and functional decentralization as seen through the Local Self-Governance Development Strategy (KRA 2.3) will help increase both the authority and the public accountability of local governments, as one must accompany the other. Although the Strategy itself is relatively silent on anti-corruption efforts (other than to say it should be decreased), the consequent movement of services closer to the people it foresees can help increase public oversight of government, as noted at the outset of this section. Many if not

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<sup>10</sup> <http://www.openbudgetindex.org/>

most observers already believe that mayors are the most accountable public officials in BiH; increasing their (and other local officials') responsibility and authority will likely increase this accountability and improve service provision, of course in the context of the mutually interlocking reforms mentioned above.

By improving the environment and capacity for municipal borrowing (KRA 3.1), GAP will both help reinforce the structured and participatory approach to financing capital projects introduced by the project as well as improvements to the budget process itself. Lenders impose their own demands for budgetary discipline and participatory planning and implementation that can provide opportunity for better controls and transparency through creditworthiness activities and communication.

GAP is working on both the supply and demand side in improving the market for local government consulting services (KRA 3.2), with anti-corruption aspects to both. All consultants that wish to be included in the database GAP is developing must agree to a code of ethics, incorporating conflict of interest provisions. Similarly, the training provided each municipality relating to the use of consulting services incorporates training on both procurement under BiH procurement law and on ethics and conflict of interest. The consultancy handbook contains information on the transparent procurement of consulting services using international standards and a sample conflict of interest policy; over the next year, as GAP works with municipalities on MAP implementation, these standards and ethics will be reinforced through actual experience.

The final area, gender equity (KRA 3.3) is in of itself an anti-corruption activity. The requisite changes to the budgeting and capital improvement process designed to make both annual and capital budgeting more gender responsive also make the process more transparent and open, and the improvements to the budget process more clearly link results to expenditures. This encourages better public participation in the budget process and improvements in governance in general.

Finally, as absent clear measures the effectiveness of any anti-corruption effort cannot be readily determined, GAP also incorporates both measures of the project's result in citizen satisfaction and service provision and training in performance measurement for municipal staff. By the conclusion of the project, all GAP partner municipalities will have had both training in performance measurement and actual experience in applying performance measure and monitors to a set of projects under the MAP and capital improvements, as well as ongoing experience in measures relating to service provision through the CSC/UPCs.