



Governance Accountability Project
Projekat upravne odgovornosti

SECOND YEAR WORK PLAN

GOVERNANCE ACCOUNTABILITY PROJECT, PHASE II

FOR THE PERIOD 1 January 2009 TO 31 December 2009

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

SECOND YEAR WORK PLAN (1 January 2009 – 31 December 2009)

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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 work plan consists of a set of activities to be undertaken during the continuation of the second phase of the Governance Accountability Project in Bosnia and Herzegovina. Chemonics International assumed full management of the GAP project on January 11, 2008, submitting a first year work plan that extended through calendar 2008. This second year work plan covers the period from January 1, 2009 to December 31, 2009. It is largely built upon the previous year's work plan which, as the first work plan under the second phase of the project, provided an outline of activities scheduled in future years. This work plan also contains a number of activities that expand on those initial outlines as well as incorporating new or modified activities that draw upon experience gained in the first year of this project.

There are now five guiding principles underlying this work plan, the first four the same as that in the first year work plan. These principles are, one, to maintain the momentum of reform, both that developed under the first three years of the project (phase one) and the reform developed in the first and subsequent years of this project. In its first phase, GAP achieved exceptional results in creating a climate for reform, results on which the second phase of this program is building upon and expanding. The startup stage of this program was therefore aggressive and that momentum continues on through this year's work plan. This work plan and project resource allocation also envisions 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. In the first year (2008), the audits of existing (phase 1) citizens service centers (CSCs) identified areas where such improvements were needed and corrective action was prescribed (and taken).

The second guiding principle is to build institutional and technical sustainability. The objective of this project – its mission – is ~~to~~ dramatically improve the ability of municipalities to serve their citizens and to support a policy and fiscal framework that is conducive to accountable, democratic governance.” This improvement, especially sustainable improvement, will require a solid financial base from which municipalities can operate to meet their citizens' needs, including adequate own-source revenues and the ability to borrow for capital improvements; participatory budgeting and planning so as to identify those needs, with plans built on realistic revenue projections; the establishment of a permanent knowledge base, analytical capacity and a means of collective advocacy through the municipal associations; a market for local government expertise through consultancy and development of expertise at the municipal level in its use; and a constant evaluation of the effect of project activities from the perspective of sustainability both by project staff and by municipalities themselves. Further, sustainability will require the project to reach well beyond its partner municipalities to all local governments in BiH through activities such as peer mentoring, strengthening the municipal associations, mentoring of staff within the associations and government agencies, preparation of handbooks and materials for wide distribution, inclusion of non-GAP municipalities in project training and workshops where available, and providing technical advice to municipalities who wish to undertake reform on their own, e.g. design assistance for Citizens Service Centers.

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. The broad base of the tax in BiH mitigates against excessive volatility, but nonetheless the past double-digit rates of growth in revenues are unlikely to be seen again for the foreseeable future. Other municipal revenues will also decline or increase only slightly due to the inevitable fall in demand for natural resources and in property values, reducing revenues from concessions and from the rental of municipal property. The inevitable increase in unemployment – meliorated perhaps by BiH’s advantage in labor costs compared to the EU – will slow or reduce 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 maintain the current level of transfers, especially given the increased pressure on social expenses from rising unemployment.

GAP has attempted to take this economic uncertainty into account in designing the 2009 work plan. We have added 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.

The third guiding principle underlying this work plan is to foster local ownership of reform to make it both relevant and sustainable. Municipal officials, citizens and municipal employees are best positioned to determine their policy priorities and need for assistance as well as the feasibility and prioritization of reform options. This work plan, like the previous, is therefore designed to harness that knowledge as much as possible through providing ample opportunity for stakeholder input into decisions in all municipalities, providing demand-driven assistance for legacy municipalities, and creating 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. The progress made by this project provides the opportunity to build and expand upon those gains by focusing on outcomes desired by municipalities, not just activities and outputs. As the new partner municipalities achieve the same level of development, they too will be in a position to set their own course and this project will be able to assist them to better focus on their desired outcomes. Even more, the project will also help municipalities measure success, assisting them in determining how well programs are achieving their goals through objective evaluation methodologies.

The fourth guiding principle is 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. The principle of effective communication also includes communication 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. Finally, effective communication also includes

vertical communication between municipal and higher levels of government, with an effort to institutionalize that cooperation with a more formal arrangement for parliamentary and government input by municipalities, including formal structures for cooperation between municipalities and the governments.

Communication also of course includes communication with the project's donors – USAID, Sida, and EKN – both to enable the project to understand and implement that direction and to provide the donors the information needed to set that policy direction. It also includes communication with other donor-funded projects and activities to avoid duplication, leverage resources and take advantage of mutual opportunities, for example in training in project cycle management. Although not listed in this document as a specific activity or set of activities, effective communication should be considered to be implicit in all activities.

The fifth and final guiding principle underlying this work plan is to do well while doing good. By this we mean how we implement this project can be as or more important for sustainable and effective reform than the programs themselves. This concept was built into overall project design in such areas as capital projects co-financing (and the grants program in the first phase); this principle expands upon this initial ideal. Through its work with counterparts in implementing the Municipal Action Plan (MAP), capital improvement planning, association priorities and advocacy, and even in core assistance, 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, surveys, and hearings to obtain input and direction; the policy cycle and policy analysis; effective advocacy and other skills important not only to assure that GAP projects are well implemented but also to improve the management of all municipal projects regardless of funding source. GAP's unique advantage is the ability to both offer training in a program and practical application, and we have leveraged this advantage both inside the project and with other donors to improve the implementation of all programs.

Coordination with Other Projects

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. In Year 1, GAP met with other donor projects on average more than once a week, presented information on the project at perhaps a dozen multiple-donor conferences, and GAP staff serve as ongoing advisors to several other donor projects. This work is expected to increase in 2009 as several new projects begin.

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 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 a 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. One, 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 in Year 1 include providing information on GAP's methodology to Aecid and information on municipalities to guide them in selection and assistance to their new partner municipalities, working with the World Bank on improving their infrastructure study, giving direct guidance to GTZ on cadastre and property ownership laws and on resources they may use in developing new laws, to the EC on the current status in municipal record sharing capacity, and to the EU Fiscal Policy Support program on municipal financial systems that they may use in designing reporting requirements to shape a forthcoming project.

Second, GAP also works with other donor projects to obtain information to improve GAP activities. A few examples from Year 1 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 and, through coordination with GAP's IABS vendor, greater reach and sustainability, with EC staff and SNV to ascertain potential opportunities for IPA funding, with CREDO on work with local consultants, and

with the World Bank to ascertain their needs for project proposals for infrastructure projects to ensure compatibility with GAP CIP training.

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, with feedback from UNDP and SNV on EU project cycle management methodology, DfID SPEM on budget reform, UNIFEM, DfID SPEM and the entity gender centers on gender-responsive budgeting, and the World Bank, EC, and others on capital improvement planning methodology. GAP is an original member of the advisory committee to the UNDP ILDS methodology working group.

Finally, GAP works to coordinate programs directly to avoid overlap and gaps in assistance and leverage other resources to achieve mutual goals. GAP coordinates with OSCE and UNDP directly on local interventions; with SNV on training relating to EU accession, with SNV providing training to partner municipalities at GAP workshops; with LGI in and BH Experts on assistance to the RS in debt management, the former funding technical assistance in that regard; with the EC on vital records sharing, ensuring progress towards mutual goals and ensuring the interests of municipalities are represented; with USAID SPIRA on permitting and regulatory reform affecting municipalities; with UNDP MTS on municipal training needs and opportunities; with the Public Administration Reform project on public finance and human resource improvements; and with other technical projects (most recently USAID Srebrenica/Bratunac “digital city” project) to ensure systems compatibility.

Year 2

In Year 2, GAP will continue its work with other donor projects and will follow a similar approach. With regard to providing information and intelligence, GAP will again work with Aecid, PERA, OSCE, UNDP, and other donors involved in direct local interventions. It is anticipated that several new projects will be implemented this next year, and GAP will help provide them the information they need to begin work effectively. 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 the new several new projects expected to begin this next year.

Second, to improve the effectiveness of project efforts, GAP will continue to work with USAID TARA as the direct tax reforms are being implemented and as FBiH considers the implementation of a property tax, with OHR on civil service reform, with DfID SPEM 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 better “Euro” flavor to its assistance in project management and make training more directly relevant to issues with IPA accession; work to coordinate methods and information with DfID SPEM 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 with the World Bank as they implement funding for infrastructure projects and the EC as they implement a new program, modeled after GAP's participatory capital improvement planning process, to provide funding for locally initiated projects; with OSCE and Aecid on direct local interventions; work with UNDP MDS on their training needs assessment; continue to coordinate efforts and provide information to with LGI as they finalize the debt rulebook in the RS; meet and coordinate with GTZ on cadastre and property records reform; work directly with VNG and Aecid on strengthening and improving the municipal associations; work with the PAR to find areas of mutual opportunity; work with DfID SPEM 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 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. 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 Tivnice comment book this summer: "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. Finally, 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. One local official, when given graphic evidence of revenue distribution, told GAP staff: "I've always known this to be the case – now I have something to show the mayor!"

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 (likely) 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.

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 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 recently published 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 of 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.

Organization of this Document

In the following sections, an overview is provided for each component – local interventions, policy interventions, and cross-cutting activities – followed by a brief description of progress under the first year of this phase of GAP for the first two. Following, each section is organized by key results area (KRA) as set out in the GAP results framework on the following page, with individual activities directed toward that key result listed in that section. For each activity, this document provides a brief objective statement, the rationale for the activity, or the issue or problem against which it is directed, the approach selected and discussion of the activity itself, the projected impact or outcome of that activity, counterparts in BiH that will be involved in that activity, project resources or inputs into that activity, and a more 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

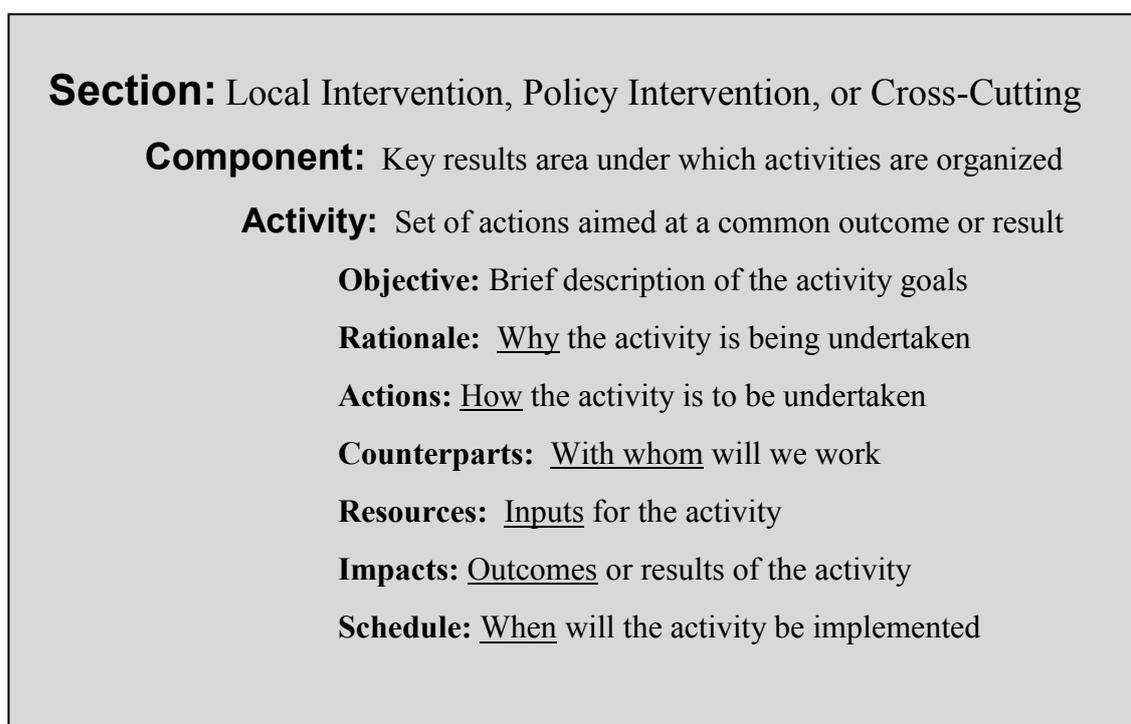


Figure 1

GAP Results Framework

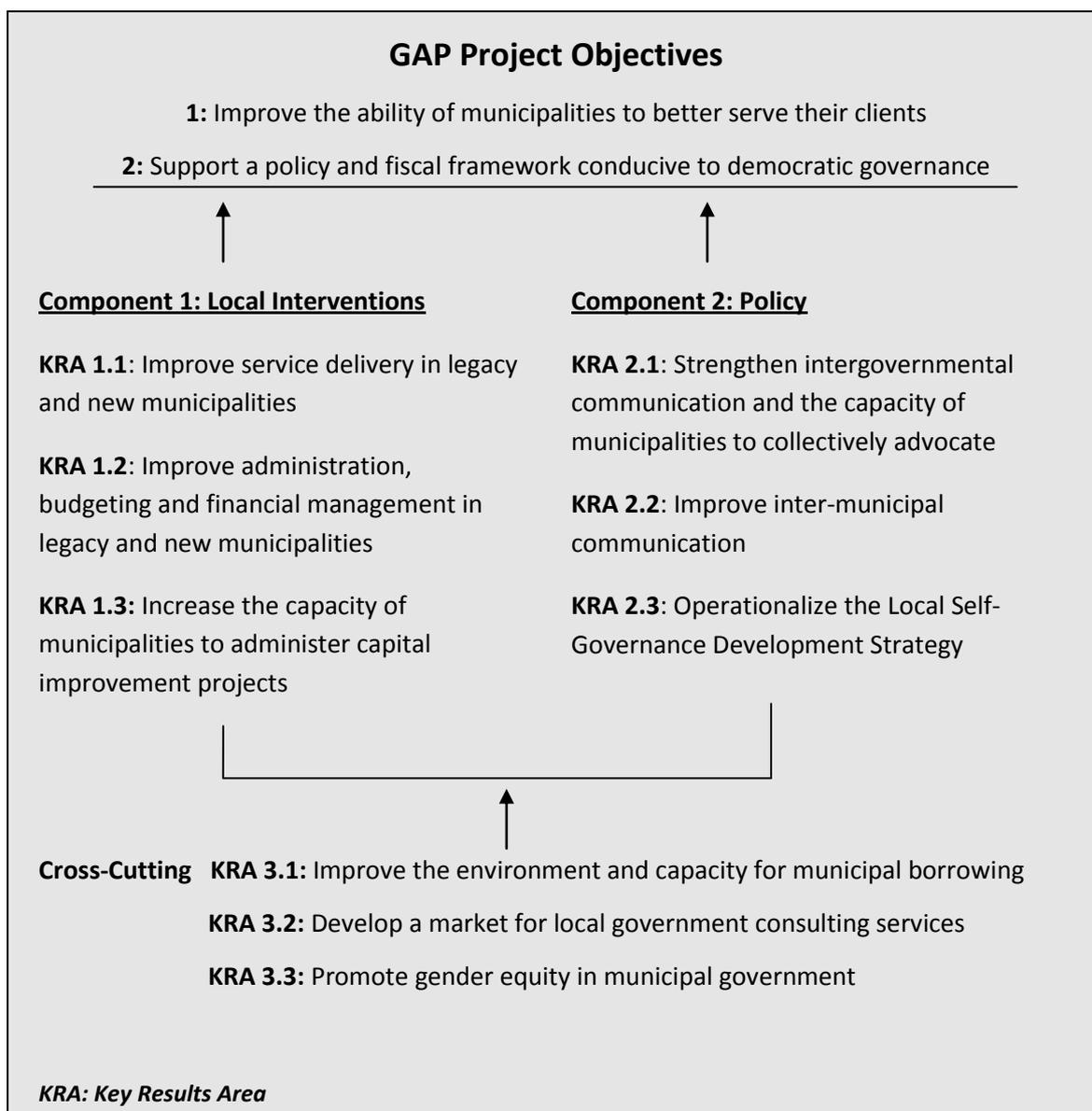


Figure 2

COMPONENT ONE: LOCAL INTERVENTIONS

Overview

In this second phase of the Government Accountability Project, municipalities are separated into two groups: “legacy municipalities,” those who received GAP assistance in the first phase of the project ending late in 2007, and “new partners,” municipalities selected in the second phase to initially receive core GAP assistance. Fifteen new partners were selected at the start of the second phase of the GAP project, at the end of 2007/beginning of 2008, and another fifteen new partners are to be selected early in 2009. Table 1, below, lists these municipalities by category. GAP will therefore be working with 71 municipalities – 41 “legacy municipalities” and 30 “new partners”, although the names of fifteen of the latter, or Cohort 4, are not yet determined. The 56 current GAP partner municipalities are home to more than two million citizens of BiH, or approximately 58 percent of the total population and encompassing over 51 percent of total territory of the country.

Table 1

GAP Municipalities by Status

Legacy Municipalities (Cohorts 1 and 2)			New Municipalities (Cohort 3)
Banja Luka	<i>Gradiška</i>	<i>Rudo</i>	Banovići
<i>Bihac</i>	<i>Jablanica</i>	<i>Sanski Most</i>	Bosanski Petrovac
Bosansko Grahovo	<i>Kakanj</i>	<i>Srbac</i>	Cazin
<i>Breza</i>	<i>Kalesija</i>	<i>Srebrenica</i>	Čitluk
<i>Bugojno</i>	<i>Konjic</i>	Teslić	Gračanica
<i>Bužim</i>	<i>Ljubuški</i>	<i>Tomislavgrad</i>	Iliđta
<i>Čelić</i>	<i>Lopare</i>	<i>Travnik</i>	Ilijaš
<i>Doboj-Istok</i>	Mostar	Trebinje	Kladanj
Drvar	<i>Mrkonjić Grad</i>	<i>Tuzla</i>	Livno
<i>Foča</i>	<i>Nevesinje</i>	<i>Velika Kladuša</i>	Petrovo
Fojnica	<i>Novo Sarajevo</i>	<i>Vlasenica</i>	Ribnik
<i>Goražde</i>	<i>Posupje</i>	<i>Vogošća</i>	Šipovo
<i>Gradačac</i>	<i>Prozor/Rama</i>	<i>Vukosavlje</i>	Široki Brijeg
	<i>Rogatica</i>	Živinice	Trnovo
			Visoko

CIP municipalities in italics

GAP provides material assistance (in-kind contributions and co-financing of capital fund project) and technical assistance to these partners, regulated through individual agreements - memoranda of understanding (MoUs) for all municipalities, municipal action plans (MAPs) for legacy municipalities and, in this work plan, the fifteen municipalities selected in late 2007/early 2008 (Cohort 3, above), scopes of work (SoW) and hand-over certificates¹. In-kind contributions in the form of centrally procured goods (hardware and software and other) are being used to support partner municipalities in improvement of services to citizens and

¹ Certificate in which hand-over is acknowledged of the in-kind contribution i.e. hardware, software from GAP to municipalities

internal administrative and financial management, such as the opening of citizen service centers (CSCs) including urban-permit centers (UPC), installation of an Integrated Accounting and Budgeting Software (IABS), urban planning and permitting software, and similar assistance. Those thirty-three legacy municipalities who have adopted a full CIP process are identified in Table 1, above.

The development of CSCs and UPCs is the flagship of GAP's Local Intervention component for new partner municipalities, as development of the centers also incorporates reforms to improve administrative services such as modernization of urban permitting procedures and planning. Through co-location of services and these administrative reforms, citizens see a reduction in the time and cost to obtain services and the services themselves improved and more user-friendly. Printed guides are available in the centers and a formalized complaints procedure developed that, with a trained and motivated municipal staff operating in a modern, pleasant environment will help ensure the fulfillment of this vision.

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* and the new *Simplified Budget Guide* for municipal councilors/assembly members and the public and technical assistance to assist with the collection of revenues. For legacy municipalities, a more specialized list of optional assistance was prepared from which these municipalities may select, options including improved financial management, longer-term budgeting, process reengineering, and so forth. All municipalities receive assistance in improvement of own-source revenue collection, including the development and analysis of municipal revenue profiles, in gender-responsive budgeting, and all will receive increased 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 is providing co-financing for 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. Through this co-financing, municipal borrowing will be leveraged in support of development of the municipal borrowing market, activities discussed in greater detail in both later in this section and in the section on cross-cutting activities. Further, GAP is taking steps to ensure that gender considerations are also integral to capital budgeting as well the preparation and execution of the annual budget.

This work plan covers activities in both legacy and new partner municipalities. As noted, in addition to assistance to new partners, activities will also continue in the legacy municipalities to build upon the improvements made in this and the previous phase of GAP to promote and monitor the adoption and application of the implemented assistance as well as new assistance through a demand-driven process, as described in more detail in the separate section on the MAP process, following. Activities relating to the selection of new partner municipalities, scheduled for early in 2009, are also included as a separate section, below.

New activities this year will also prepare the ground for deploying the new (for BiH) approaches and techniques for further mobilization of local resources. First of all, this will be applied to improving land management. As international experience has shown, improving land management produces multiple benefits: it makes land more attractive for private

investment, substantially increases local budget revenues, and reduces opportunities for corruption. It has become broadly recognized that mobilization of governmental land as a resource for development and funding infrastructure and other public capital investment requires new frameworks and approaches, because traditional instruments of public management do not tap this resource to its full potential. To start making these new approaches and instruments available to our partner municipalities, we will conduct a quick assessment of needs and opportunities and, in particular, of how implementing partners' experience can be adjusted and applied in BiH. Based on this assessment, we will suggest the technical assistance and training plan in partner municipalities willing to participate.

Despite its innovative nature, this line of activity fits directly into the existing Activity B-3, Optimization of Municipal Own-Source Revenues. Moreover, being an inter-disciplinary branch of public management, land management also relates to the Sub-Component 3 (capital planning and implementation) and Activity A.2 (Urban Planning). Further, as experiences in Serbia and Croatia demonstrated, a need in policy interventions can be expected, so we will work with Municipal Associations and Mayors/Municipalities, to assist them to incorporate this important issue in their policy agenda and lobbying efforts.

The Local Interventions team

The Local Intervention staff includes four regional coordinators, eight municipal coordinators, a local interventions director and five municipal specialists (senior citizen service specialist, urbanism advisor, budget and finance specialist, IT systems specialist and IT management specialist) as of this writing. Regional and municipal coordinators' roles are pivotal in daily interactions with municipalities, while the specialists also provide feedback from and coordination between the project's local interventions component and its policy component, feedback and coordination which proved invaluable during the first year in advocacy on key issues (opposition to the repeal of the direct election of mayors in the RS and severe reductions in municipal revenues to fund veterans' payments in FBiH). The capital projects team, and public procurement specialist is also part of the local interventions team, coordinating closely with the work of the regional and municipal coordinators.

Field Organization

Each GAP hub office is headed by a regional coordinator who, together with the municipal coordinators conducts the local intervention program in that region.² The coordinators have broad experience in local government and familiarity with the municipalities in their respective regions. Additional staff at the hub offices includes the capital projects managers, who oversee and implement GAP's CIP program and monitor the implementation of co-financing arrangements, and a project administrator who oversees the administration of the hub office.

What's New/Lessons from Year One

In local interventions, this second year work plan follows the general direction set in the first year work plan, incorporating the experience gained in its implementation. The overall structure was set in that plan - legacy municipalities to receive assistance primarily through

² The hub offices are located in Sarajevo, Banja Luka, Mostar and Tuzla.

the MAP and capital projects co-financing/CIP training and cohort 3 municipalities to initially receive core assistance – as was the overall timetable.

With regard to that implementation, all major targets were met despite a somewhat uncertain political environment due to the timing of local elections. However, new issues did emerge, one of the more significant attributable to the shift to local responsibility for procurement of many of the major components of CSCs coupled with a lack of municipal capacity in procurement. GAP has reallocated internal resources to assist in this area, but will need to expend increasing effort on problem prevention and capacity development to avoid issues in the next cohort (and stay on top of issues that continue to emerge in Cohort 3).

In the area of technical assistance to municipalities, although the first year work plan did anticipate using EU methodology in implementing MAP and CIP programs, we did not anticipate the hunger for more information in this area. GAP was able to connect with SNV to assist in providing training programs and UNDP on methodology, signing an MoU with the former; this year's work plan will attempt to build on this cooperation and raise standards for project proposals, bringing municipal staff's capacity closer to the level needed to apply for EU funding with, of course, the additional benefit of better administered projects.

This work plan also incorporates a general increase in level of assistance in several areas, beyond the level in the first year or the first phase of the project and as appropriate to the development of capacity in partner municipalities. In the area of budgeting and public financial management, a new general activity has been added using a proven trailblazer approach of peer mentoring as a means of skill development and transfer. Improved performance measurement will be introduced as part of the budget process as well, with the goal of increasing citizen participation and understanding of budget allocations and government performance. These activities will both facilitate improved gender-responsive budgeting in partner municipalities. Similarly, it is proposed that the quality of budget documentation be improved to increase participation and resource allocation, both through assistance with the preparation of simple citizens' guides to the budget specific to each municipality and in expanded reference materials for municipal staff. Finally, we have added a similar activity in municipal borrowing; given the worldwide freeze in credit markets, we believe it necessary to work more intensively with a few municipalities in facilitating borrowing, again using a trailblazer approach.

Fuller elaboration and development of the CSC concept will also continue, with training on customer service improvements through regional workshops and compliance assurance through ongoing performance audits. The greatest potential for expansion in customer service is in the area of vital records sharing, as discussed in greater detail in the policy section (Component 2). Not only will this dramatically improve customer service if adopted, it will also begin to open the door to e-government improvements, with municipalities leading the way. It will also contribute to the much-desired looser EU visa regime for BiH citizens. Further, in year 2 GAP will begin to build on the developing awareness of the importance of a customer orientation and of improving service outcomes to apply more broadly to other basic municipal services.

This work plan also anticipates continued improvements in financial management and collection of own-source revenues, building on initial steps taken in 2008 with revenue profiles and associated training. It is anticipated that this work will identify areas for policy interventions, much as was the case in 2008 for revenue from concessions in FBiH, and accompanying training may need to be provided to take into account increased opportunity for collections.

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 based on simplified EU project cycle management methodology and of a level higher than that used previously, under the grants program in the first phase of the project.

Of note, there are new commonalities of approach used in this work plan as well in the level and staging of assistance. As noted, GAP provides core assistance to municipalities in four areas: budgeting and finance, capital improvement planning, customer service, and urbanism. Each of the legacy municipalities has reached a basic level of competence in most of these areas, and the newer municipalities are being brought to these standards, with Cohort 3, those municipalities who began receiving assistance in 2008, scheduled to reach these standards sometime in 2009. Beyond this level, GAP both provides demand driven assistance through the MAP as well as ongoing assistance in selected areas as directed under the contract: capital improvement planning and project management, optimization of own-source revenue collections, gender-responsive budgeting and capital planning, participatory planning, monitoring and evaluation, and the use of consultancy services. In some of these selected areas, GAP will begin applying a trailblazer approach, working with selected advanced pilot municipalities who will receive more intensive assistance in return for their agreement to share their experience with other municipalities through workshops and other peer mentoring opportunities. The following sections apply this concept in budgeting, participatory capital planning, and capital market development.

Risks and Assumptions

As noted above, economic conditions remain the major source of risk and uncertainty. In the area of local interventions, GAP will tailor its assistance to those economic conditions; our fundamental assumption remains, however, that municipal finances will remain sound enough to enable their participation in GAP in terms of staff time, co-financing, and other essential resources.

Like the prior year's work plan, a key assumption in this work plan remains that local political issues, especially those arising as a consequence of last fall's elections, will not unduly affect implementation plans. There is always a concern that change in leadership could result in change in priorities, especially in the area of capital projects, the MAP, or work with GAP altogether. However, at the time of this writing no problems have yet to emerge despite the fact that 16 of GAP's 56 partner mayors are new (8 did not seek reelection, 8 were not reelected).

These economic problems will have both direct and indirect implications for municipalities in BiH. Municipalities will be directly affected by a slower rate of growth or perhaps even a fall-off in VAT collections; GAP will work with them in the proposed expanded budget activities to plan and respond 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 independent of local governments may prove to be a major priority of the policy component of this project.

Issues with the RS treasury system and its compatibility with the integrated accounting and budgeting software installed by the project remain. For RS municipalities to progress further in budgeting and finance, improved software will need to be developed, although there are

signs that this may be occurring. In addition, similar pressure is developing in FBiH to develop a treasury system similar to that in the RS. Although assistance with the treasury system remains a work plan item, and GAP will work to ensure that the best solution is found, there is still a risk that the decision on a solution may be made for political rather than technical reasons.

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. These projects are selected from a catalogue of services or developed by municipalities themselves in keeping with criteria set by GAP (and, of course, GAP's donors). In conjunction with other donors, GAP has used the MAP process as a means of providing municipalities experience with EU-related project proposal preparation, participatory planning, project cycle management, performance measurement, and working with consulting services. GAP has shared its methodology with other donors to ensure consistency and to obtain valuable feedback and assistance.

In the period covered by this work plan, GAP will begin actual implementation of most MAP projects in the 41 legacy municipalities following this methodology and with timelines developed jointly between GAP and partner municipalities. Following the signing of the SoWs referencing the MAP (covering all activities) in late in 2008 and donor's approval, GAP will begin assisting municipalities with the implementation of their MAP projects, providing accompanying training in project implementation, working with consultants, and project monitoring and evaluation.

With respect to the 15 new municipalities that were selected late 2007/early 2008 (Cohort 3), this work plan presumes that they will begin the MAP process later this year, after they have made adequate progress in improving customer service, internal management, and financial management systems. Applying the MAP methodology as developed, GAP will help them identify their own priorities and targets and then help them monitor progress and achieve those targets over the next two-plus years. Those municipalities who will join GAP in 2009 (Cohort 4) will begin the MAP process in 2010, once they have reached appropriate basic standards resulting from GAP's core assistance.

In the first year, GAP developed a detailed methodology for MAP implementation, including reference materials, supporting information, criteria for project selection, mayors' and council or assembly decisions, training materials, and so on. It is anticipated that these materials will again be used for MAP project implementation, albeit with a potential increase in the number of projects based on an assessment of the needs of partner municipalities.

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 2009: JMC approval of individual scopes of work covering all MAP projects for legacy municipalities.
- Jan 2009 – on: MAP project implementation, 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.
- Apr - May 2009: MAP process presented to the 15 Cohort 3 municipalities; Municipal MAP working groups established; introductory training to MAP working groups on MAP process provided
- Jun 2009: 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.
- Jul-Aug 2009: 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.
- Aug - Sep 2009: 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 2009: Municipal Council or Municipal Assembly publicly debates and approves MAP (milestone); GAP helps municipality conduct promotional campaigns for MAP.
- Oct – Dec 2009: 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.
- 2010: Signing SoW referencing the MAP (covering all activities), followed by donor approval; beginning of MAP project implementation; MAP in Cohort 4 municipalities developed.

Selection of the Second Group of Municipalities (Cohort 4)

Activity Objective:

- *To select a group of 15 new partner municipalities who will:*
 - *Implement and build on reforms undertaken in this project;*
 - *Actively participate in policy reforms at higher levels of government; and*
 - *Help spearhead reform in local governance, serving both as an example and as a mentor to other local governments.*

Approach: GAP's contract requires that the project assist in the selection of 15 new municipalities for receipt of core assistance beginning in 2009 (Cohort 4) and demand-driven assistance beginning in 2010, joining the 41 legacy municipalities and the 15 new municipalities selected at the end of 2007/early 2008 (Cohort 3). The selection methodology is not specified, stating only that it must ~~primarily~~ take political will and potential impact into account." Further, the contract also requires that ~~the~~ contractor shall include selection methodology and schedules in the second year work plan for approval by the donors." That information is included in Appendix 3, attached.

The contract requires that these new municipalities be selected by February 2009. It also states that the process begin in January 2009; we interpret that as meaning the final selection process as, given that schedule and the desire to thoroughly screen all applicants as well as allow the JMC adequate time to consider all recommendations, the preliminary selection process needed to begin much earlier

Reaching a Broader Circle of Municipalities

While only 15 municipalities will be included in Cohort 4 for full access to GAP assistance, we propose to take advantage of the great interest generated in the program by offering some limited benefits to other applicant municipalities as approved by the JMC. GAP will continue to provide technical assistance on an as-requested basis with JMC approval, and with JMC approval can assist in holding broader meetings, perhaps in conjunction with the municipal fair, to reach these other municipalities. In addition, GAP will keep them informed of key advances of the program through our website and through other means as devised.

Resources: GAP staff

Schedule (also see Appendix 3):

Jan 2009:	Assessment visits conducted, analysis and consultations made for short-list municipalities to be approved by JMC.
Feb 2009:	Collected information and recommendations proposed to JMC.
Mar – Apr 2009	MoUs signed, Kick-off event held, assistance begins.

Description of Component One Activities

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.” In the first phase of the GAP project this improvement was focused on a core assistance package in customer service through establishing customer service centers and urban planning and permitting centers; this remains the core assistance for new partner municipalities in the second project year. However and as noted, for legacy municipalities (and new partner municipalities in future years), areas of service improvements will be tailored to individual municipal needs through the MAP process and, similarly, the core assistance has evolved as well in anticipation of this MAP process and with increased local capacity.

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 also hinders economic development and fosters tax and fee evasion and the development of the grey economy, becoming an obstacle to both economic and social development.

Approach: GAP continues to make establishing quality CSCs a high priority. These centers have a key role in assisting the project in achieving its objectives in other activities designed to facilitate the widespread adoption by local governments of practices and policies that improve the delivery of services to citizens, with the end goal of improving their lives. GAP will encourage municipalities to apply the principles emphasized through the CSCs to other local government services as well.

In GAP's second year, assistance will begin to the second group municipalities, those selected early in 2009. This assistance will be implemented in four stages: (1) preparation, (2) initial assessments and design, (3) implementation, and (4) continuous support and improvement of the functionality of the CSC/UPC. These phases were discussed in the first year work plan and 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, in order to enhance horizontal communication among GAP partner municipalities, establish a base for the exchange of good municipal practices, address ongoing issues in day-to-day work in municipalities and to continue to improve municipal performance and efficiencies, GAP will organize regional workshops on topics such as complaint procedures, community outreach, internal communication, municipal IT system, role of advisory board, and similar as needed and jointly for new and legacy municipalities.

Impact: 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. This is expected to lead to an increased percentage of citizens satisfied with municipal service delivery in these municipalities as well.

Link to Year 1 work plan: Most activities as planned in Year 1 are occurring on schedule. However, limitations to procurement in partner municipalities, specifically issues with too few bidders forcing delays, appeals, or new construction time and cost overruns have delayed a few CSC completions slightly. Weather could force further delays. Gračanica is constructing a new building, and appears to be behind schedule.

GAP is working with partner municipalities to remedy any delays, and has provided on-call assistance in procurement. We are also attempting to pressure municipalities to act more quickly, with mixed success.

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:

For the first group of municipalities (Cohort 3):

Note that primarily due to extensive construction in Gračanica we do not anticipate that all of the CSCs in Cohort 3 will be operational until the fall of 2009.

May 2009:	Remodeling, procurement, process reengineering completed in all municipalities (all except Gračanica).
May 2009:	All software developed and installed; CSC staffing and training of municipal staff completed (all except Gračanica).
May 2009:	CSC/UPCs opened, Establishment of the CSC Advisory Board; raising community awareness of CSC (all except Gračanica).
Ongoing:	Performance audits; Promotion of good practices

For the second group of municipalities (Cohort 4):

Apr 2009:	Initial presentations to municipalities; Mayor's decisions on CSC establishment promulgated; Establishment of the requisite CSC/UPC working group.
Apr - May 2009:	Needs assessment conducted and reports written.
Jun 2009:	Internal procedures mapping conducted; Conceptual and construction design of the CSC/UPC prepared.
May 09 – Apr 2010:	Info data collection in process.
Jul 2009:	Scope of Work discussed and signed
Jul-Dec 2009:	Remodeling, procurement, process reengineering completed, first CSC/UPCs operational.
Sept 09:	Loading of the data begins (lasting until completed).
May 2010:	All software developed and installed; CSC staffing and training of municipal staff, CSC/UPCs operational.
Jun 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 sometimes 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 the municipalities selected in 2008 (Cohort 3), while the second group of municipalities (Cohort 4) will follow the same pattern beginning in the spring of 2009.

Urban permitting and planning procedures will be improved by assistance in several parallel segments: reengineering of internal and external administrative procedures, introducing zoning as 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 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.

Impact: 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.

Counterparts: Municipal staff, local/cantonal/entity level agencies and institutions (i.e. urban institutes, 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

Schedule:

For the first group of partner municipalities (Cohort 3):

Note that primarily due to extensive construction in Gračanica we do not anticipate that all of the UPCs in Cohort 3 will be operational until the fall of 2009.

- | | |
|----------------|--|
| Mar 2009: | Delivery and installation of hardware and software, software training; Reorganization of urban department in all municipalities except Gračanica. |
| May 2009: | Digitalizing of existing spatial planning documentation (scanned or digitalized); Installation of CAD/GIS software; Training and preparation of information and publications in all municipalities except Gračanica. |
| May 2009: | UPCs operational; Promotion of the UPC; Monitoring and assessment of work commences in all municipalities except Gračanica. |
| Apr 2009 – on: | Loading data into the urbanism server (continuous process). |
| Sep 2009: | Link to other institutions and government level processes (continuous process including collaboration with other donor projects). |

For the second group of municipalities (Cohort 4):

- | | |
|-----------------|--|
| May 2009: | Presenting UPC concept to potential municipal working group members; conducting municipal capacity assessment. |
| Jun 2009: | Mayors decisions on establishing of the UPC within CSC; Appointment of the urbanism working group (UWG). |
| Jun 2009: | Needs assessment, process-mapping and introduction of the urban planning and permitting reengineering process. |
| Jun 2009: | Drafting conceptual, construction designs and implementation action plan for the Scope of Work. |
| Jul 2009: | Signing of the Scope of Work, implementation begins. |
| Jul - Dec 2009: | Preparation and procurement of hardware and CAD/GIS software. |

Jul 09 - Apr 2010:	Link to other institutions and government processes; Establishment of the UPC Advisory Board.
Aug 09 - Mar 2010:	Delivery and installation of hardware and software, software training; Reorganization of urban department.
Sep 09 - Mar 2010:	Digitalizing of existing spatial planning documentation (scanned or digitalized); Installation of CAD/GIS software; training, preparation of information and publications.
Sep 09 - May 2010:	UPCs operational; Promotion of the UPC, monitoring and assessment of work commences.

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 new activities added to help prepare municipalities for forthcoming budgetary issues attributable to the worldwide economic slowdown.

GAP's work in budgeting is contained in four separate activities:

- One, to implement integrated accounting and budgeting software, to both enhance basic budgetary discipline and to begin to provide the kind of information that can improve decision making, increase fiscal transparency, and allow for further fiscal enhancements in the area of programmatic identification and performance measurement, the latter essential information in restructuring budgets given the substantial resource constraints developing due to the worldwide recession.
- Two, to build upon work done in the first phase of GAP and the first year of this project in developing budgeting reference materials for use by budgeting agencies. In this year, that will consist of expanded use of simple budget guides for use by municipal councilors and the general public to improve understanding of the budget and budget process as well as facilitating the ability of municipalities to produce citizens' guides for their own use. With the acquiescence of the associations, GAP will develop an additional section on budget reductions for inclusion in the budget manual and other materials.
- Three, GAP will continue to work with municipalities on own-source revenues, assisting in financial management and appropriate rate setting, reducing their reliance on potentially uncertain transfers and therefore improving budget predictability while allowing for service expansions while, at the same time, working to eliminate inappropriate fees and charges. Own-source revenue collections can potentially provide a buffer from reductions in shared revenues as well as transfers from higher levels of government.
- Four, GAP will also work with a set of more advanced municipalities to further improve their public expenditure management capacity and, in so doing, introduce more advanced concepts and disseminate this knowledge through peer mentoring.

This advanced approach to budgeting and public financial management is essential for the sort of restructuring that is needed to move funds from low priority, ineffective programs to high priority, effective programs.

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, to meet new public sector accounting standards, raise and monitor the collection of local revenues, and to measure the true cost of services for 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 solution for accountancy and finance constitutes a crucial tool in such an endeavor.

Approach: Assistance for legacy municipalities, those who received IABS software in the previous phase of the GAP project and are considered experienced users, will be more focused in helping them to use IABS software to its full capacity and therefore a selective approach will be applied. Some of the legacy 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, providing reliable financial reports whenever needed. For various reasons, other legacy 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.

Cohort 3 municipalities, who recently received IABS software and are expected to start using these modules from the beginning of 2009 with that year's budget, will be provided assistance from the beginning of the software implementation. By providing core assistance, GAP will bring the new partner municipalities up to the level of the legacy municipalities, identifying the priority areas where interventions are needed. For the newest group of partner municipalities (Cohort 4), assistance will require a full package starting from training to assist in their understanding of the advantages of using an IABS and discussion of the necessary preparations for installation of the new IABS software.

GAP will continue to work on further IABS software improvements, including adaptations needed to incorporate law changes such as the new personal income tax to be implemented in January 2009. Furthermore, GAP will work to assist in making IABS adaptable to function as municipal treasury software once legal requirements are in place. To do so, IABS software will need to automatically generate scheduled mandatory reports for the treasury as well as other specific reports to higher level institutions, and be capable of working as a treasury system on the municipality level.

GAP will also work on integration of an IABS and the treasury system in both FBiH and the RS. Although the current treasury solution (one central server) is not directly compatible with an IABS, the pending introduction of this system in FBiH may offer an opportunity to evaluate similar systems in place or scheduled to be in place to determine whether there is the opportunity for a . If so, GAP will continue to pursue a solution to determine whether there is

an alternative to the use of parallel system and, if so, working with Oracle and the IABS provider in its development.

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

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

Schedule:

- Apr 2009: IABS presentation to Cohort 4 municipalities.
- Apr - May 2009: Conduct IABS and IT needs assessment for Cohort 4 municipalities.
- May - Jul 2009: Developing SoW for IABS to determine number of licenses, upgrades, hardware requirements, procedure, and so forth.
- Jul - Oct 2009: Procurement of hardware and software.
- Oct 2009: Installation in targeted municipalities, training on IABS use.
- 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:

- Jan – Feb 2009: Develop an outline of potential technical solutions needed to link IABS to a treasury system.
- Mar – Apr 2009: Work with IABS vendor and others to determine accurate cost and feasibility of the linkage between both the proposed treasury system in F BiH and the existing treasury system in the RS and GAP’s IABS; produce a report.
- Apr – Sep 2009: If financially feasible and agreeable to relevant software vendors, work with GAP’s IABS vendor to incorporate linkage between IABS and treasury system for GAP IABS municipalities for 2010 budget year.
- Sep – Oct 2009: If financially feasible, GAP’s IABS vendor to deliver system for installation at beginning of 2010 fiscal year.

Activity B.2: Improve Budgetary Information for Municipalities

Activity objectives:

- *To improve the availability of budget-related reference information for municipal finance departments; and*
- *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 that update process, requests were received to expand the coverage of that manual beyond its original scope, adding several new chapters.

In 2008, GAP also prepared a simple budget guide for municipal councilors, business, NGOs, and the general public. The guide is being distributed to all municipal councils through the municipal associations. For this information to be valuable, wider distribution and regular updating will be necessary as well as creation of citizens' guides that are specific to each municipality.

Simply producing manuals is not enough to improve the budget process in and of itself, but these manuals provide excellent resource material for incorporation in training programs once these programs are established.

Approach: In the second year, GAP will work to transfer of the ownership of both guides to the two municipal associations, assisting the municipalities in use of the budget guide and provide assistance to municipal associations in development of training modules on budgeting for municipal councilors. GAP will continue reviewing all chapters of the guide, engaging municipal practitioners from both entities. GAP plans to add, based on municipal needs and on discussions with municipal associations, new chapters to the guide in the same manner.

GAP's intention is that the production of this guide will eventually become a responsibility of the municipal associations. The associations continue to give full support for this guide, and are resuming active role in its further development. Production of new chapters will be discussed further with both associations, and these chapters will be delivered to municipalities as a part of this work plan. One such chapter under consideration relates to budget restructuring in the face of revenue reductions, a chapter likely to be highly relevant in the near future.

Further, GAP will use these materials in training municipal councilors and the public through a set of seminars designed to train the trainers within municipalities, to provide in-house resources for improvements to the budget process.

Finally, for citizen participation in the budget process to increase, it is necessary that citizens have better information on that process specific to their community. GAP will work with municipalities to prepare simple citizens guides to the budget, which describe where

resources come from, how they are expended – including outcome information linked to funds spent – and why that is important for citizens.

Impact: 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.

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 or regional STTA, other donors, document reproduction costs, workshops and training (costs 2009)

Schedule:

- | | |
|-----------------|---|
| Jan 2009: | Transfer of the ownership of the guide to the two municipal associations. |
| Jan - Dec 2009: | Regular meetings and discussions with the municipal associations on budget guide implementation. |
| Feb 2009: | Assessment of the needs for additional chapters to be developed (in conjunction with the Associations of the Cities and Municipalities). |
| Apr 2009 - on: | Training on the use of the budget guide begins with Cohort 4 municipalities. |
| May 2009: | Write a train-the-trainers module on budgeting for municipal councilors and public for the municipal associations. |
| Jun 2009: | Prepare template for production of citizens' guides to the municipal budget for GAP municipalities. |
| June 2009: | Development of new chapters based on municipal needs and association requests. Current requests are for a chapter on VAT, treasury management, and municipal borrowing. |
| Sep 2009: | Distribution of the new chapters to municipalities (through the associations). |
| Sep 2009: | Regional training on increasing citizen participation in the budget process for councilors and municipal staff using the new citizens' guides. |

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.³ 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 revenues, especially important should there be a decline in revenues from other sources.

Approach: To identify potential revenue sources and provide information on relative utilization, GAP developed a revenue profile for each municipality based on a cross-sectional analysis of municipal revenues. In this way, municipalities are able to compare their own municipal revenue collections to other similar municipalities using budget data and identify areas of potentially underutilized revenue collections to provide baseline data for further actions.

During year 2, GAP will provide training and technical assistance to help municipalities develop their own revenue enhancement plans. GAP will assist the municipalities through the process of clarifying the total own-source revenue picture, analyzing the use of own-source revenues including both base and rate, and identifying arrears and collection rates based on the revenue profile provided them. Municipalities will then hold public consultations, and on the basis of all input lay out available options and develop specific strategies with respect to tariffs and fees, local taxes, collections, and arrears. They will set targets and monitor performance in areas such as own revenues, collection rates, and cost recovery.

Third, we will assist municipal staff in the development of internal rulebooks and policies that will enable municipalities to collect revenues from all possible revenue sources, and to do so based on appropriate decisions from municipal councils, as well as to ensure that these decisions are in line with the appropriate laws and regulations defined by higher level of government (Canton, Federation, RS).

Fourth, we will help municipalities to review and revise their renting procedures and regulations in order to make sure that municipal property is rented for "the highest and best use" and through competitive procedures that generate best prices.⁴ We also will help to adopt practices reducing vacancies in municipally-owned property. Finally, GAP will provide assistance on reducing property-related expenses in order to maximize net income from rental properties.

³ For example, for development and use of construction land and rental of municipal property.

⁴ Note that this activity will operate in parallel with the work by the Policy team to reform the laws on real property to clarify ownership issues.

In concert with GAP budget reforms, we will ensure that all revenues collected are appropriately allocated, and that the funds are expended according to law (e.g., in the RS 70% of the revenue from mineral resources and hydro-electric power generation is to be allocated to research and development of alternative industrial development and 30% to the development of infrastructure and the environment).

Finally, we will work with municipalities to identify inappropriate fees and charges, either those that are excessive or those detrimental to other goals such as economic development. By developing a substitute for these revenues, GAP will help municipalities replace them.

Impact: 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 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.

Counterparts: Municipal staff, mayors and municipal council members

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

Schedule:

- May 2009: Preparation of municipal revenue profiles for Cohort 4 municipalities, with subsequent assistance following the activity cycle for legacy and Cohort 3 municipalities.
- Jun 2009: Organization of best-practice exchange seminars, workshops and study visits to more advanced municipalities in BiH.
- Aug 2009: Update of municipal revenue profiles to include 2008 data.
- Sept 2009: Produce a prioritized list of law changes needed to improve the collections of own-source revenues and present to relevant committees of the municipal associations.
- Ongoing: On-site meetings with relevant staff from legacy and Cohort 3 municipalities in strengthening the relevant internal procedures within municipalities, exchange of best practices and examples from advanced municipalities.
- 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 Budgeting and Public Expenditure Management

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 is far 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 coming fiscal problems resulting from 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 line-item budgeting can produce working, albeit inefficient, budgets, but this process breaks down when confronted with serious revenue reductions.

An IMF publication gives three pre-conditions for the successful implementation of a new budget classification system, such as proposed. These are political ownership, technical capacity, and IT systems.⁵ GAP has provided the latter and has the ability to directly address the second through this activity and others. GAP’s experience with participatory capital improvement planning provides evidence that the first is also attainable. Although capital projects are easier to conceptualize than functional or programmatic allocation of budgetary resources, the advantages of so doing are no less to municipal officials, nor may be the potential for public support.

Municipalities in BiH use simple line-item budgeting based on economic and administrative classifications to allocate resources. Although this is the most standard and widespread form of budget and essential to maintaining fiscal discipline, a line-item budget provides almost no information on what services are purchased with these funds. As a consequence, line-item budgets are not amenable to performance measurement, to obtaining public input in the budget process, or to reallocating funds according to public priorities. In addition, these budgets provide limited flexibility for budget users, often restricting the ability to make minor adjustments as circumstances require.

⁵ Public Financial Management Technical Guidance Note, *Budget Classification*, Davina Jacobs, Jean-Luc Hélias, and Dominique Bouley, February 2008 (available at www.imf.org).

The central budgeting challenge is, as there's not enough money to do everything, how do you decide what to do? Program, or results-oriented, budgets offer a means of response to this challenge, especially given the increasing need for the public and potential investors to better understand services and programs that municipalities offer to citizens. In addition, associated performance measures can provide information on the effectiveness of municipal administration and on efficiency during the annual budget implementation process. A budget based on performance assists municipal administrations in doing the right things in the right way and focusing on the results of their performance. Finally, the use of program budget information is essential to gender responsive budgeting, as such a structure allows impact on various stakeholders to be measured.

Program budgeting has been introduced to higher levels of government in BiH, and both entity budget laws foresee municipal budget plans being prepared as program budgets as well. However, municipalities have little or no experience with this type of budgeting in practice. Once produced, however, performance measurement and program information tends to continue in future years, as government leaders and citizens/civil society find this information of value in understanding and explaining public expenditures and performance.

Approach: GAP will pursue a two-pronged approach to budget improvements. First, GAP will evaluate all partner municipalities to select six or so who are more advanced and willing to learn, designating them as trailblazers, or pilot municipalities for improvement. These trailblazers will be given training in preparation of rudimentary program budgets and development of accompanying performance indicators using a fully participatory approach. Following successful preparation of these budgets, representatives from these municipalities will share their experiences in a set of regional workshops, perhaps in conjunction with the municipal associations, and distill from them a set of best practices in program and performance budgeting. These workshops will take place in 2010. In 2010, GAP will provide additional assistance on further improvements to the budget process for these, and perhaps an expanded group, of partner municipalities. These municipalities will serve as peer mentors for a set of workshops to be held in 2011 for all municipalities.

GAP will work with these trailblazer municipalities to develop budgets that best suited to their needs, as there are diverse ways of interpretation of budget information, each raising a new set of budget-related questions. A budget that is readable and well matched to local needs improves the decision-making procedure and enables the use of budgetary funds to accomplish goals. Each of the basic budget formats has its strengths and weaknesses, as each has been created to show specific characteristics of public policy and to provide necessary information to decision-makers.

Therefore, GAP will use a one-on-one approach tailored to the needs of each trailblazer municipality. Implementation of new methods in budgeting will require new approaches and a new understanding of roles and responsibilities of all parties involved in the preparation of a local budget. The mayor, councilors, finance and budget staff, other departments and directors of companies, and, most importantly, citizens will need to participate in the process of budgetary decision-making. With clarity of budgetary allocation can come conflict, and as such participation sometimes can lead to some very opposing views and attitudes, a great effort on GAP's side needs to be put in this activity in order to implement it successfully and have its results sustainable not only in the trailblazer municipalities but to ensure portability to other municipalities through peer mentoring.

Second, in Year 2 GAP will conduct two sets of workshops for all partner municipalities to provide hands-on training in improvements to the budget process using programmatic

information and basic performance measurement and reporting. The first set of workshops, scheduled for relatively early in the budget process, will introduce basic concepts of budgeting for results and of measuring and communicating performance information, including how to use IABS to produce information needed. This training will also include improvements to the overall budget process necessary to both incorporate this information and to apply this information.

The second set of annual workshops will link to the preparation of actual budget material for partner municipalities with specific examples to enable them to utilize this information in submissions to the municipal council or assembly and the general public. This assistance will help in preparation of the citizens' guides to the budget under Activity B.2, which will incorporate this initial information. In Year 3, another set of workshops will be developed to build on the concepts introduced in Year 2, using the trailblazer municipalities as mentors and providing assistance in developing results-oriented budgets (workshop 1) and preparation of explanatory and analytic material and performance measures for submission to the municipal council or assembly and the general public, including better engaging the general public and civil society in the budget process and budget development. By Year 4, all municipalities will be producing programmatic and performance information in their budget submissions and, as importantly for sustainability, using this information in budget decisions.

Note that introduction of these budgeting techniques is a demanding task and requires significant time for successful implementation. In other transition countries, this process commonly took a few budget cycles prior to full implementation. By the end of the project, it is anticipated that all partner municipalities will follow a similar approach to budget development and submission, with programmatic and performance information routinely produced, readily understandable and freely available, and with consequent increased participation in the budget process by citizens and NGOs utilizing this improved information.

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

Schedule:

- Feb 2009: Discuss concept and possible sponsorship with municipal associations.
- Apr 2009: Assessment of existing municipal budgeting techniques.
- May 2009: Initial set of four regional workshops on budget process, focusing on incorporation functional or programmatic information and rudimentary performance measures in submissions from budget users and how to request and obtain this information as well as improvements to budget instructions and the budget calendar to accommodate. Selection of up to six trailblazer municipalities.
- Jun-Sep 2009: On-site training and consultancy on improvements to public expenditure management in pilot municipalities, leading to introduction of new budgets including performance measures and program information.
- Jun – Jul 2009: Second set of four regional workshops, focusing on improvements to budget preparation and submissions to the mayor, municipal council or assembly and general public containing program or results-oriented budgeting and performance measurement.

- Dec 2009: Adoption of improved budgets or budgetary information in all trailblazer municipalities and evaluation of the success of the workshops and of the trailblazer program.
- May 2010: Third set of four regional workshops on the budget process, with practical experience provided by trailblazers, applying new information in budget preparation through enhanced submissions by budget users. Selection of new pilot municipalities as appropriate.
- Jun-Jul 2010: Fourth set of four regional workshops on the budget process, again with practical experience provided by trailblazers, applying new information on budget preparation and submissions to the mayor, municipal council or assembly and general public containing a higher level of information on program or results-oriented budgeting and performance measures.
- Sep 2010: Submission of improved budgets in all municipalities.
- Dec 2010: Adoption of improved budgets in all municipalities and evaluation of the process.
- 2011: Similar to 2010, with two sets of workshops.
- Ongoing: Monitoring of sustainability of the process.

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

Introduction

This sub-component and its activities provide detail on achieving the objective of increasing the capacity of municipalities to administer capital improvement projects and to begin to implement capital projects co-financing. Following the principle of doing well while doing good, this activity is aimed at five general outcomes, extending well beyond those directly achievable through these individual projects:

1. Through real experience in project implementation, GAP partner municipalities will continue to expand their capacity to prepare sustainable long-term capital improvement plans and meet essential capital needs;
2. GAP municipalities will have positive experience in actively seeking out and accommodating citizen participation in the capital improvement planning process (and, by so doing, establish a model for other municipal processes), resulting in more relevant and sustainable development;
3. Municipalities will have experience (beyond that in the MAP process) in developing project proposals following simplified EU methodology and in understanding and applying project cycle management methodology, resulting in better projects and an increased capacity to attract donor funding;
4. Municipalities will have direct experience in performance measurement and evaluation, and to understand participatory planning, monitoring and evaluation; and
5. GAP will establish a peer mentoring program that is designed to grow into a sustainable process where stronger municipalities mentor weaker ones, ensuring overall relevance and deeper penetration of these reforms.

What's New/Lessons from Year One

In implementing the first year's work plan, it became readily apparent that despite other projects providing training on project cycle management, few municipal employees at the department head level had any exposure to these concepts. Most municipalities had little or no exposure in writing project proposals and successfully seeking outside funding without assistance, with one EU project referring to the knowledge level as "negligible" and representatives from the RS commenting on the amount of funding that went unused due to this lack of capacity.

This lack of exposure is despite of strong municipal interest in this area, as evidenced by comments, by attendance at workshops and training, and by the selection of related assistance under the MAP. As a consequence, during this phase of the program municipalities will need to prepare more detailed project proposals as part of their co-funding from GAP. These proposals will need more developed project goals, activities

and outcomes and include meaningful performance measures for each project, providing greater accountability and better project design as well as assisting municipal partners in developing these capacities, following the same type of methodology used under the MAP process.

In this phase of the project, there is also increased emphasis on gender responsive budgeting, including capital budgeting. Through work with SNV and UNIFEM, these concepts will be conveyed to municipalities as part of a larger EU-standard stakeholder analysis.

Activity C.1: Capital Improvement Planning

Activity objectives:

- *A substantial number of Cohort 3 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 four⁶*

Rationale: Big expenses demand careful planning, and one of the most important and expensive activities a government undertakes on a regular basis is the planning for and financing of major capital projects. From roads and bridges to water and sewer systems, these projects absorb much of the available resources within a community, helping provide for services critical to the health, safety and well being of a community's residents. If poorly planned, scarce resources may be inefficiently allocated and the health and well being of a community may suffer.

Municipalities in BiH are under great pressure to improve their physical infrastructure, but lack planning mechanisms, discipline, and resources to do so systematically and sustainably. As a consequence, many fail to prioritize and try to conduct too many projects at once, funding all on a 'pay as you go' basis. This attempt to maintain an extremely wide, but shallow, investment front is understandable -- but costly. Efficient construction schedules cannot be developed because the money to execute them is spread over too many projects; as a result, projects take too long to complete and cost more than they would have, had planning been better. Municipalities therefore must improve their capital improvement planning process from the prioritization of projects to the procurement, monitoring, execution of construction contracts, and subsequent evaluations.

At present, most of GAP Cohort 3 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 in GAP legacy (Cohort 1 and 2) municipalities. As demonstrated in all GAP CIP municipalities,⁷ for communities to budget sustainably and

⁶ As measured by analysis and comparison of annual municipal execution reports from year zero (2007) to year four (2011).

⁷ At present, there are 33 CIP municipalities out of 41 legacy municipalities

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: GAP has developed a complete and comprehensive CIP implementation methodology which has been widely shared during Year 1 with numerous international organizations (UNDP, SNV, WB, AECID, EU) and has been accepted as meeting international standards -- to the extent that these organizations are considering (or already are) using GAP-standard CIP methodology to distribute their own funds. As a consequence, it is clear that GAP CIP municipalities are a step ahead of other municipalities when it comes to planning, attracting external funds, and preparedness for EU pre-accession funds.

CIP methodology, as described in the *GAP CIP Manual*, consists of a set of training modules, relevant spreadsheets, and IT tools that assist municipalities with the capital planning process. These standards have been successfully met in 33 of 41 GAP legacy municipalities, and the methodology has proven to be very successful and popular among both municipal officials and general public. (All GAP municipalities are trained in CIP methodology; the CIP designation indicates willingness to meet financial standards set by GAP, including resolution of any budget deficits.)

CIP methodology eases the work of heads of finance departments when it comes to annual budget preparation, as they have part of the capital budget already completed. Second, the methodology ensures citizen participation in the process and guarantees, to the extent possible, transparency of the capital investment planning process. Overall, all actors involved and affected by preparation and implementation of CIP within 33 GAP municipalities, starting from local authorities to ordinary citizens, see CIP methodology as an excellent tool that will help their municipalities plan better and more quickly achieve their short and long term goals.

In 2009 GAP will work with the fifteen (15) Cohort 3 municipalities and will undertake an assessment of their capacity to implement CIP methodology as well as review the remaining eight non-CIP legacy municipalities. Those municipalities that are found to be limited in capability or financial resources or who are unwilling to invest the resources necessary to do so 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 3 municipalities or remaining legacy municipalities that are assessed as good CIP candidates will follow the same full approach as the 33 legacy CIP municipalities in their development, as discussed below.

In addition to these activities, GAP will continue monitoring the progress of the CIP legacy 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.

GAP will also assist two or more municipalities in organizing community visioning festivals, where the entire CIP process would be presented to citizens in local

communities and linked to overall vision for the future of the community. It is anticipated that these festivals be held in conjunction with the individual municipal holiday.

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 at the same time.

- a. Assessment of the all Cohort 3 municipalities;
- b. Assessment of all Cohort 1 and 2 non CIP municipalities (eight 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 2009, GAP will start working on these CIP activities with the Cohort 3 municipalities, when the first assessments will take place. In January of 2010 the same procedure will be implemented for the Cohort 4 municipalities.

Impact: Cohort 3 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 2009.

Current CIP municipalities continue to update their five-year CIPs.

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

Counterparts: Mayors, councilors, Coordination team members

Resources: GAP Budget and Financial Management Specialist, capital projects team, international and regional STTA, GAP IT Management Specialist, computer software

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 3 municipalities:

Jan – Mar 2009: Assessment of Cohort 3 municipalities and reassessment of GAP legacy non-CIP municipalities.

- Mar - Apr 2009: Presentation of the CIP concept and methodology to newly selected CIP municipalities and initial training.
- May 2009: Institutionalization of the relevant formal procedures and rulebooks by municipalities.
- Jun 2009: Mayor's orders on application form, implementation team, and coordination team composition passed.
- Jun - Oct 2009: Establishment, training and monitoring of the regular work of the CIP coordination teams.
- Dec 2009: Regional capacity-building training.

Activities related to all GAP CIP municipalities (33 municipalities)

- Summer - Fall 2009: Organize community visioning festivals in two or more advanced municipalities as trailblazers, perhaps in conjunction with their municipal holidays.
- Fall 2009: Organize a seminar for presentation of visioning results by trailblazer municipalities.
- Ongoing: Assure compliance with the CIP monitoring charts and procedures as described in CIP manual.
- Ongoing: Monitoring of the old CIP municipalities.

Activities relating to all GAP legacy non-CIP municipalities:

- Jan - Feb 2009: Establishing community development planning mechanisms in municipalities (CDPC bodies) where they do not exist or where activity has lagged.
- Feb - Mar 2009: Develop Municipal Assembly decision on the establishment of CDPCs where they do not exist.
- Apr - May 2009: CDPCs adopt necessary decisions and prepare materials (i.e. project selection criteria, timeline, and similar documents).
- May 2009: Conducting media campaign to publicize the work of the CDPC and collect community priority projects.
- Jun 2009: Gathering, scoring and ranking application forms.
- Jun 2009: Identifying priority projects and fine tuning of the projects selected to be co-financed by GAP.

Follow-on activities:

- 2010: GAP Cohort 4 municipalities follow the same approximate schedule.

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 this project, 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, as expected Cohort 3 municipalities 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, 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 2009.

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, GAP provided capacity building training to legacy GAP municipalities in areas of public procurement following BiH procurement law, project management, and initial training on IPA funds. To provide EU-related expertise, GAP furthermore signed an MoU with SNV for cooperation, an MoU lasting twelve months with the possibility to extend.

Using a similar approach as that used in Year 1 for legacy municipalities, GAP will provide capacity-building training to Cohort 3 municipalities in these three areas: public procurement, project management, 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 (notably UNDP and the World Bank) on methodological issues, with the intent of having all training programs and activities reinforce one another.

Impact: GAP municipalities demonstrate substantial improvements in procurement, proposal writing and project management and are actively mentoring other municipalities.

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

Citizen support of and satisfaction with local government increases.

Counterparts: Mayors, municipal staff, CIP coordination team members

Resources: GAP capital projects team, local, regional or international STTA as needed, coordination with other donors (SNV, EC, World Bank, UNDP), training materials and workshops.

Schedule:

- Jan – Sep 2009: Training for CIP coordination teams as listed in activity C.2
- Mar - Apr 2009: Discussions with other donor projects to further coordinate methodology and possible allocation of training topics
- Sep – Oct 2009: 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 3 municipalities should conclude all capacity building training sessions by December 2009, following which they will be introduced and asked to participate in the Peer Mentoring Program, as described below.

New CIP municipalities from Cohort 4 will receive training in year 3 of project implementation;

Activity C.3: Establish Peer Mentoring Program

Activity objective:

- ***Encourage and ensure knowledge transfer between legacy 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 legacy municipalities to define areas of support they can provide to the newly selected GAP municipalities along with the needs of the new municipalities. In addition, GAP will provide assistance to the legacy municipalities in defining objectives and approaches of the peer mentoring program. Finally, the GAP team will ensure that mentoring program is well conducted and will monitor its implementation.

These activities will be undertaken as follows:

- a. Work with the 33 CIP legacy municipalities to identify strengths 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.

Impact: 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 instituted.

Counterparts: Municipal staff

Resources: GAP capital projects team, GAP specialists, resource materials and workshops

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

- | | |
|-----------------|--|
| Jan - Mar 2009: | Work with 33 CIP Legacy municipalities to identify strengths where they could best offer knowledge |
| Apr 2009: | Outline and prepare materials for peer mentoring sessions |
| May - Jun 2009: | First peer mentoring event takes place |
| Sep - Oct 2009: | Second peer mentoring event takes place |

Dec 2009: Written evaluation of the peer mentoring events, with recommendations for improvement

GAP will facilitate peer mentoring sessions for Cohort 4 municipalities in year 3 of the project implementation. Detailed schedule of those activities will be provided in the year 3 work plan.

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 municipalities at present 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) for funding 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: During Year 1 the capital projects team developed the *Capital Projects Fund Manual* which includes the guidelines and criteria based on which funds will be awarded to municipalities. Moreover, all forms were reviewed and included in the manual, with distribution to all legacy municipalities. The manual was designed in such a way as to be usable by partner municipalities as a guidebook for implementation of capital projects (of course in conjunction with the *Capital Improvement Planning [CIP] Manual*).

Once all CIP steps are undertaken in CIP legacy municipalities and upon completion of the prioritization process as described in the *GAP CIP Manual*, the CIP Coordination team or the CDPC coordination team must identify the top-scored priority investment projects that meet GAP minimum eligibility criteria described in the manual and forward their recommendation to GAP. The CIP/CDPC coordination team must inform their municipal council or assembly of the top recommended projects prior to their submission to GAP for funding.

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 three separate groups in 2009. Group 1 will include those high-priority projects proposed by CIP municipalities that can be implemented immediately, those “shovel ready” capital projects. The deadline for inclusion in this group will be March 1, 2009, and it is anticipated that all of the preparatory activities for implementation will be completed in May, 2009. Group 2 will

include most of the projects submitted by CIP municipalities, any priority –shovel ready” projects submitted by CDPC municipalities, and any projects submitted in Group 1 that required revisions or modifications. The deadline for inclusion in this group will be May 1, 2009, with all preparatory activities to be completed in July. Group 3 will consist of all remaining municipalities, largely current CDPC municipalities (regardless of whether they adopt CIP methodology) and projects submitted in Groups 1 or 2 that required substantial revision. The deadline for inclusion in this group will be July 1, 2009, and all preparatory activities will be completed in September. This schedule will be repeated in 2010 for Cohort 3 municipalities; those legacy municipalities unable to meet the cost share requirements in 2009 or with more complex projects will be allowed to participate in Group 1 as well.

Impact:

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.

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: GAP staff, local, regional and international STTA, manual and workshops

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

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

- Jan - Feb 2009: Projects selected to be co-funded by GAP
- Mar - Apr 2009: Eligibility determination, feasibility analysis, and environmental assessments performed for priority projects selected under Sida *Sustainable Development Guidelines*.
- Apr 2009: Project proposals finalized and submitted to JMC for approval

May 2009: Co-financing agreement prepared and signed; project implementation financial and programmatic reporting trainings conducted

May – June 2009: Project implementation begins

Group 2 (all other CIP municipality projects, simple, already prepared projects in CDPC municipalities):

Jan - Apr 2009: Projects selected to be co-funded by GAP

May - Jun 2009: Eligibility determination, feasibility analysis, and environmental assessments performed for priority projects selected under Sida *Sustainable Development Guidelines*.

Jun 2009: Project proposals finalized and submitted to JMC for approval

Jul 2009: Co-financing agreement prepared and signed; project implementation financial and programmatic reporting trainings conducted

Jul - Aug 2009: Project implementation begins

Group 3 (all remaining projects):

Apr - Jun 2009: Projects selected to be co-funded by GAP

Jul - Aug 2009: Eligibility determination, feasibility analysis, and environmental assessments performed for priority projects selected under Sida *Sustainable Development Guidelines*.

Aug 2009: Project proposals finalized and submitted to JMC for approval

Sep 2009: Co-financing agreement prepared and signed; project implementation financial and programmatic reporting trainings conducted

Sep - Oct 2009: Project implementation begins

2010: Cohort 3 projects follow the same approximate schedule; any remaining legacy projects included in this process

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 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.

Impact: 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.

Counterparts: CIP coordination teams, CDPCs

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

Schedule:

Jan - Sep 2009: Monitoring and evaluation training conducted as part of the training for CIP coordination teams (and CDPCs)

Oct 2009: Four detailed regional training programs held on monitoring and evaluation principles and application.

Post evaluation of capital improvement projects will be completed once all projects for the given Cohort are implemented, with the first evaluations being conducted late in 2009 or early in 2010.

COMPONENT TWO: POLICY INTERVENTIONS

Overview

Our approach is intended to create a sustainable reform environment, one with an expert and academic community capable of creating a comprehensive vision for reform in concert with local governments, governments and parliaments capable of transforming that vision into legislation, and strong municipal associations capable of formulating and advocating for the interests and needs of cities and municipalities in order to provide the best possible services to their citizens. We work with all those stakeholders in order to help them increase their capacity to play their individual roles constructively and effectively and, together with the local interventions component, to assist municipalities in increasing their capacity to accept this additional responsibility.

A strong sense of ownership of the policy agenda by mayors and effective communication with higher levels of government are critical for development of viable associations. GAP will continue to underline the importance of municipal associations by channeling the majority of our policy activities through their structures. As will be described further, we are using the existing policy-making structures in associations at all stages of policy cycles, building our interactions around specific policy priorities.

The two municipal associations are the vehicle through which our counterparts further lobby for and support targeted policy goals. In this way, the associations continue to gain legitimacy as the voice of local government in the eyes of government officials as well as the capacity to drive policy reform beyond the life of GAP. While the associations can be central to the dialogue, mayors also need to participate actively, especially if issues limiting the effectiveness of the associations come into picture. We will work with the associations and all local governments to keep them abreast of issues and bring mayors and other local representatives into entity and country-wide forums to discuss them and develop a concerted effort towards their solution.

The Policy Interventions Team

The policy interventions team is headed by a policy director and includes two policy advisors, a fiscal policy advisor and a policy/association advisor in Sarajevo and a fiscal and policy advisor in Banja Luka. Close coordination is maintained with the local interventions and the capital projects teams as well as with the monitoring and evaluation specialist.

What's New/Lessons from Year One

Results during the first year have validated this approach of working through the associations in policy development. In both FBiH and the RS, the municipal associations were instrumental in stopping legislation detrimental to the development of democratic local governance. In the RS, the association played a pivotal role in building municipal opposition to a proposal to eliminate the direct election of mayors, and in FBiH the association was a conduit for information on and for opposition to a proposal to drastically cut municipal funding to increase veterans' pensions.

The associations have begun to evolve structurally as well, with both forming committees (boards in the RS) to develop policy agendas and supporting materials for use in advocacy with GAP's assistance. These committees are already beginning to produce results, with the recent passage of amendments to the Law on Real Rights in the RS having its origin in the RS association. Similarly, in the FBiH association representatives are playing a lead role in the development of new legislation on concessions, legislation not yet adopted.

Due to the very strong support given to the concept of development of a Code on Intergovernmental Relations in Year 1 by both municipalities and higher levels of government, the municipal associations and GAP have shifted emphasis from far weaker MoUs with entity governments in favor of the adoption of a Code. This code would be a breakthrough in improving this relationship through establishing a system of formal regulation rather than reliance on a less-enforceable agreement.

The creation of a formal Coordinating Committee for Implementation of the Law on Local Self-governance in FBiH, together with the appointment of GAP as a working secretariat to that committee, also provides great opportunity for furtherance of decentralization in year 2. It is anticipated that this committee will serve as a vehicle for much of the necessary reforms in FBiH.

Finally, pressure to automate records retrieval for passport issuance and visa liberalization with the EU has provided opportunity for relatively rapid progress in this area. The successor agency to CIPS has been extremely cooperative, and it may be possible to have actual electronic records sharing in place relatively early in year 2 using GAP partner municipalities as pilots.

Description of Component Two Activities

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

Introduction

This result, strengthening inter-governmental communication and the capacity of municipalities to collectively advocate, is supported by two separate activities in year 2: developing an annual policy agenda, and implementing the Code on Intergovernmental Relations. They are discussed in detail below.

Activity A.1: Work with Municipal Associations and Mayors/Municipalities to 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: Effective municipal associations drive the policy agenda rather than react to an agenda set by others. Despite substantial gains in the operational structure and the influence of both municipal associations, there is still significant 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 that policy agenda. The key to this improvement is strengthening 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: In accordance with the approach outlined in GAP's contract –policy goals and strategies will be locally owned, with mayors and municipal associations largely determining policy priorities". Hence, GAP has been and is undertaking training and providing direct technical support to the associations in taking vital steps to develop –stronger information sharing and policy analysis, formulation and promotion capacities". Our activities have been targeted specifically at the development of an annual policy cycle, one in which priorities for the following year are identified over the course of a year.

In Year 1 this approach already produced results. Associations are no longer in a purely reactive mode, and are beginning to develop a sense of being drivers of policy debates. Over the past year, this was the case with the entity Real Rights Laws, FBiH Law on Concessions, FBiH Law on Employees in Local Governments, RS Law on Spatial Planning, initiating changes to the Budget Law in FBiH to postpone the introduction of treasuries, and more. The associations have positioned themselves as an equal partner to the government and are regularly consulted and their opinion is taken into account in passing major policy changes, as was the case with an attempt to abolish the system of direct election of mayors in RS, consulting of FBiH Association in making changes to tourism laws and introducing energy efficiency.

As a result, mayors in both entities have built a sense of ownership of the policy-making process. GAP will continue to support them in that endeavor, increasing project focus on using these new skills and confidence to implementation direct policy reforms. Remaining priorities identified in Year 1 will be analyzed, debated, drafted and promoted to parliament, with GAP providing the necessary additional training, research and analysis, drafting assistance, and development of advocacy materials, assisting directly in the identification of those priorities where necessary.

The association committees or boards in both entities are proving to be a functional forum for policy discussion and vehicle for development of policy reform proposals. GAP will continue to work with these committees or boards in both associations, and will seek to

establish sustainable communication and coordination with all stakeholders in other governments, business, other donors and civil society. Through specific focus group meetings in both entities for each of the association committees or boards, GAP will work with their members on policy priorities and solutions and continue institutionalizing the process of development of an annual policy agenda.

Nonetheless, GAP reserves the option of directly proposing policy reforms to the association presidencies or through other venues (e.g. the Coordinating Commission, parliaments, or government agencies) should it be deemed by GAP and/or its donors that insufficient progress towards overall program objectives is being made. In the following activity schedule, a set of dates are proposed at which time GAP will undertake quarterly evaluations and report on the progress of the associations in developing and promoting policy priorities. Should progress be deemed inadequate, GAP will directly identify, research and promote these policy reforms, coordinating with the associations where possible.

By the end of Year 2, GAP will therefore have produced a list of policy priorities for the municipal associations based on their direction, drafted or helped produce drafts of legislation addressing those priorities, organized workshops or hearings on these priorities along with writing or helping write supporting material, worked with the associations to present these drafts to the government and parliament, and provided support to associations' advocacy efforts.

Link to Year 1 Work Plan: In Year 1, this activity was implemented in three steps, all part of a single policy cycle process. Activity A1 in the first year work plan was a one-off activity, providing a baseline screening of policy needs and priorities for the purpose of incorporating those priorities in section C of the work plan (operationalizing the LSG strategy). Activity A3 set up the first half of the policy cycle (research, analysis, and policy proposals), and activity A4 dealt with the second half of the policy cycle (advocacy). This cycle – from issue identification through research, analysis, proposal development and advocacy – was successfully completed for one major issue in the RS (Law on Real Rights) and is in progress in others, and is nearing completion for several issues in the FBiH (Law on Concessions, Law on Civil Service). As this process has now been successfully implemented, these four activities have been merged into one, completing the policy cycle initiated in Year 1 and establishing another policy cycle for 2009.

Because of the elections held in October 2008, the 2008 schedule has been extended at the request of the Association leadership in both entities resulting in a delay in completion of some Year 1 work plan items. Although the research and analysis steps of policy priority identification have been completed, the association leadership requested that the final formal adoption of the policy agenda be by the newly elected leadership. According to their statutes, in FBiH the Association Presidency adopts the policy agenda, whereas in the RS it is the General Assembly that adopts it. The policy cycle for 2009 has thus been timed with the Associations' schedule, according to which the first meeting of the Presidency of the FBiH Association will be held in March, and the RS Association Assembly will also be held in March.

GAP proposes to compensate for this delay by using the interim period to more fully develop policy priorities than would have been possible in the time proposed in the Year 1 work plan and by starting the Year 2 policy cycle on schedule, in June.

Impact: Mayors will strengthen their role in the policy making process and will develop a sense of ownership of policy agenda. Municipalities and associations will be able to effectively advocate collectively for necessary legislative, administrative, and policy changes.

Counterparts: Mayors, municipal associations.

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

Schedule:

Because of the elections held in October 2008, the 2008 schedule has been extended at the request of the Association leadership in both entities. We have therefore divided the following into two sections: the new annual cycle of policy issue prioritization to be undertaken in 2009 and the completion of the cycle that began in 2008

Part 1: Start of the new policy cycle: GAP will continue to provide direct training to association staff and committees on the regular annual review of policy priorities and assist the associations in identifying the policy agenda for the following year by conducting research and analyzing research 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).

Jun 2009: Organize or help organize a roundtable in each entity including all committees or boards to update an annual policy process and discuss the association priority list by at a minimum compiling the policy list and providing research and analytical materials. Produce a list of association priorities.

Jul - Sep 2009: Together with associations, organize focus group meetings in both entities for each of the association committees or boards. Work with members of the committees or boards on policy priorities and solutions. Nine focus group meetings will be organized in RS, and six in FBiH.

Oct 2009: Together with associations, organize a final workshop with mayors in both entities. Provide written analysis on policy issues to allow for the finalization of priorities and solutions, and define policy agenda for municipal associations, committees and presidency as an overall plan for policy reform. Two workshops will be organized as a result, one in each entity, which will give all mayors opportunity in defining the future policy plan.

Nov 2009 - on: Work with associations in the process of advocating and promoting policy priorities and solutions, producing promotional and explanatory information for these priorities.

Part 2: Continuation of current (2008) policy cycle: A list of 2008 policy priorities will be proposed in December 2008 and finalized in February 2009. Although the associations will of course set their own priorities, GAP believes that the following list of laws will emerge on top and require development of analytical information as well as workshops, legal drafts, and advocacy and explanatory material through GAP's activities:

1. **Law on Financing Local Self-governance in RS;**
2. **Law on Civil Service in Local Self-governance FBiH (in process);**
3. **Law on Spatial Planning RS;**
4. **Law on Changes to the Law on Concessions FBiH (in process).**

For each of these reforms, and for other reform proposals selected by the associations, GAP will follow the schedule as follows based on whether the proposal is already drafted, will be drafted as an amendment, or will require a new law:

1) Law already drafted: For those laws already drafted by the association with GAP's assistance (e.g. Law on Civil Service in Local Self-governance FBiH), GAP's activities will be scheduled according to the following set of steps, with the final timing of course subject to the association's own sequencing of priorities:

Feb-March 2009: Organize joint meetings with the associations in order to present drafted legislation to the government, parliament, and relevant stakeholders. Organize workshops/public hearings on the legislation.

April 2009: Collect comments from municipalities and help draft changes to legislation based on those comments. Draft Law enters parliamentary procedure.

May - Jun 2009: Organize and conduct meeting(s) with relevant committees of the parliament or assembly with associations. Participate in discussions and provide advice as necessary.

Jun – Jul 2009: Continue to provide advice or other material as needed to the associations in their advocacy efforts.

Aug – Dec 2009: Subject to enactment of the Law, produce an analysis of the conditions requiring changes at the local government level as well as an assessment of the required implementing legislation (regulations and by-laws). This activity would be succeeded by activities helping draft this implementing legislation or by-laws.

2) Amendment: In the case of amending existing legislation to implement the policy priority, GAP's activities will be scheduled according to the following of steps, the timing of which of course will be subject to the association's own sequencing of priorities:

Feb-Mar 2009: 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.

Apr 2009: Work with the association's committees/boards and mayors from the Association Presidency to address these legislative barriers and define legal solutions. Produce amendments based on input from municipalities and discussion of the boards/committees.

- May-Jun 2009: As necessary, organize meetings/presentations with government and parliament representatives in order for the associations to present drafted amendments. Present the amendments to the Coordination Committee (FBiH) or Ministry for Local Self-governance (RS). Organize a workshop or public hearing on the legislation.
- Jul 2009: Collect and analyze comments based on input from the public hearing or workshop and refine a set of amendments.
- Aug - Sep 2009: As necessary, organize a meeting in which associations would address the draft amendments to members of parliament. Organize a meeting with relevant committees.
- Nov 2009 – on: Subject to enactment of the legislation, work with the association and government on implementation.

3) Law to be drafted: If a new draft is needed (e.g. Law on Construction Land FBiH or the Law on Financing the Local Self-governance RS), GAP will schedule its activities according to the following set of steps, again subject to the association's own sequencing of priorities:

- Jan-Feb 2009: Collect information through the municipal association on need for drafting new legislation in the specific field. Produce written analysis based on input from municipalities on need for drafting new legislation and contents.
- Mar 2009: Based on the response to GAP's analysis, meet with association's boards or committees in order to determine methodology for further work on drafting new legislation. As needed, form a working group for drafting.
- Apr - May 2009: Define and draft legislation.
- May 2009: Present legislation to the Association's Presidency and the Coordination committee (FBiH) or Ministry for Local Self-governance (RS).
- Jun 2009: Based on input of mayors and relevant stakeholders, work on refinement of the drafted legislation. Produce a final draft of the law.
- Jul - Aug 2009: Present draft law to the government, parliament, and relevant stakeholders by associations.
- Sep 2009: Organize workshops or public hearings on the legislation.
- Sep - Oct 2009: Arrange meetings with relevant committees and associations to address the draft law to members of parliament.
- Oct 2009 – on: Subject to enactment of legislation, work with the association on identifying the implementing legislation.

Evaluation of progress:

- Mar 2009: Report to JMC on associations' progress with identification or policy priorities and advocacy on key issues, making recommendations to the associations for improvement and identifying additional policy reforms as appropriate.
- Jul 2009: Report to JMC on associations' progress with identification or policy priorities and advocacy on key issues, making recommendations to the associations for improvement and identifying additional policy reforms as appropriate.
- Oct 2009: Report to JMC on associations' progress with identification or policy priorities and advocacy on key issues, making recommendations to the associations for improvement and identifying additional policy reforms as appropriate.

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

Activity objective:

- *To improve the 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 genuine strengthening of 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. Adoption of a formal Code on Intergovernmental Relations will provide a framework within which this cooperation and coordination can be assured – and enforced.

Approach: In year 2, GAP will facilitate final agreement on, promotion and implementation of the previously drafted Code. GAP will continue developing other tools and mechanisms for implementing the Code, especially concerning involvement of local governments in the policy and legislative process.

In FBiH, the Code will be supported and implemented through activities of the Coordination Committee (see C.1.). Parties will use 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, and formally discussed during the congress of the RS association to be held early in 2009 and presented to the RS Government. Only if supported by the Government, the draft will be finalized and formally considered by the RS NA.

Both FBiH and RS government and association representatives have expressed the opinion that the two entity Codes should be harmonized to the greatest extent possible given the differences in constitutional structures. GAP will utilize its role in the process to ensure the highest degree of harmonization and will recommend that the instruments for implementation and the appeals processes are highly harmonized as well.

Link to Year 1 Work Plan: This activity was initiated in Year 1, with the initial Code drafted, revised, and proposed in draft form to both municipal associations and governments. The Year 1 work plan anticipated its adoption by the FBiH association and discussions only with the RS association. The RS association has taken to the code more rapidly than expected, but the FBiH association and government have asked that the code be considered through the Coordination Committee. This process is therefore ahead of schedule in the RS, who have agreed to form an informal working group to develop a new draft of the Code based on GAP and the association's initial drafts, and slightly behind schedule in the FBiH due to their request for consideration through the Coordination Committee, although this venue will likely enhance its chances for success.

GAP proposes to compensate for this delay (in FBiH) by more intensive work with the Coordination Committee so that the final Code, once proposed, should have the approval of both the government and the association, not just be proposed by the association to the government as envisaged in the Year 1 work plan.

Impact: 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:

Feb -Apr 2009: Work with counterparts in the government and association to negotiate all Code provisions. Provide advice to the relevant intergovernmental bodies established for this purpose and organize meetings or workshops as needed. Final result will be a draft Code formally proposed to both the government and the association; interim outputs will be these presentations or study papers.

May 2009: Conduct meetings or workshops to present and promote adoption of the Code with the Association Presidency to the Federal Government and cantonal governments.

- May 2009 Produce a list of appendices of the Code (list of policy priorities, legislative framework concerning local self governance, etc). Prepare supporting materials and, along with the association, work to introduce the code into parliament.
- June 2009 Contingent on approval by the parliament, the result would be an enacted Code.
- Jul 2009: Jointly with the municipal association organize a conference to introduce the Code to the broader public.
- Sep 2009: Produce an Action Plan for implementation of the Code as a part of the Coordination Committee activities.
- Oct - Nov 2009: Draft or help draft necessary legal documents required by the implementation of the Code for the MoJ.
- Nov 2009-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:

- Feb - Mar 2009: Working on the initial draft, obtain general agreement on the Code content among working group members.
- Mar - Apr 2009: Schedule a meeting between the RS municipal association and the RS government on the Code. Present the final draft Code to the government.
- Apr 2009: Organize meetings with the RS Municipal Association Presidency and government in support of the Code as deemed necessary. Organize meetings or workshops as necessary with representatives of the RS NA in which association, government or working group members would advocate for adoption of the Code.
- May 2009: Prepare supporting materials and, along with the association, work to introduce the code into parliament.
- Jun 2009: Jointly with the municipal association organize a conference to introduce the Code.
- Jul 2009: Produce an Action Plan for implementation of the Code.
- Sep 2009: Draft or help draft necessary legal documents required by the implementation of the Code and as agreed with the RS Municipal Association and Ministry for LGS.
- Oct/Nov 2009 -on: Establish a mechanism for periodic review and reevaluation 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 seek associations' opinion and advice on significant policy areas rarely and in an arbitrary manner. 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 under the development of a Code of Intergovernmental Relations, there is still a need to improve the representation of municipalities in the RS National Assembly. At present, there is no committee or group in the RSNA tasked with considering legislation affecting local governments; the RS Municipal Association has requested that such a committee be established and asked GAP to assist in that effort. The RS Minister for Local Self-Governance supports this concept, and GAP has held a series of meetings with RS NA leadership that, although promising, have yet to result in action as well as meetings with partner mayors from the RS to obtain their support. The RS NA leadership have asked that this issue be postponed until after the January 2009 holidays due to other priorities, specifically consideration of the 2009 budget.

Link to Year 1 Work Plan: This activity was scheduled to be initiated only in Year 1. During that period, a high level of interest was developed on the part of the RS Association and the Ministry for Local Self-governance, both writing letters supporting this concept to the RS NA leadership.

Impact: Municipalities will increase their voice in legislation in the RS.

Counterparts: Association, government, parliament.

Resources: GAP staff

Schedule:

Jan – Feb 2009: Arrange meetings including representatives of the RS Municipal Association, RS NA, RS government and, as appropriate, individual mayors to discuss the rationale for the establishment of this committee and identify any obstacles.

Feb 2009 – on: If the RS NA agrees to establish a committee, conduct analyses and organize meetings or seminars as appropriate in conjunction with municipal association on the role and functions of such a committee. Provide training materials the committee relating to developing analytical capacity and in their role in consultation with the association and individual municipalities.

Should the RSNA not agree to establish a committee, prepare explanatory material and other information for use by the

association in promotion of such a committee and write materials to use in that promotion.

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

Introduction

Access to vital records is limited for a high percentage of the internally displaced population in BiH given the need to travel long distances in order to obtain official documents. Electronic sharing of vital records between local governments would enable citizens to have access to this information regardless of their current residence through their resident local government. In order to enable that access and thus lessen administrative burden on citizens and businesses, GAP is supporting a process consisting of implementing a technical solution that was identified in the first year and accompanying legal solutions that will allow for the sharing of vital records among municipalities.

The legal and technical analysis conducted by GAP in the first year of the project identified an opportunity to achieve this goal by working in concert with activities of the Agency for Identification Documents, Registry and Data Exchange of BiH. Bosnia and Herzegovina is conducting a visa liberalization dialogue with the European Commission. One of the prerequisites Bosnia and Herzegovina must fulfill to be included on the so-called Shengen "white list" (enabling a visa-free travel to BiH citizens to the signatory countries of the Shengen Agreement) is to introduce biometric travel documents.

The BiH Council of Ministers, at its 57th meeting held on July 29, 2008, adopted the Action Plan for implementing the requirements outlined in the Roadmap on Visa Regime Liberalization for the citizens of Bosnia and Herzegovina. Previously, the BiH Council of Ministers adopted Amendments to the Law on Travel Documents (BiH Official Gazette 33/08 and 39/08), and the Law on Amendments to the Law on ID Card (BiH Official Gazette BiH 56/08), which specify that the Agency for Identification Documents, Registers and Data Exchange will lay down methods for electronic sharing of data required for the issuance of an ID card or a passport. Article 6 of the amended Law on ID Cards specifies that information collected from citizens applying for a personal document shall also include the citizenship information, and that such information shall be subject to verification.

The Ministry of Civil Affairs Rulebook on Amendments to the Rulebook on Application Form for the Issuance of ID Card and Replacement Card, Issuance and Replacement Procedures and Application Record-keeping Procedures No. 15-02-2-5955/08 of 12.29.2008, Article 2 reads as follows «*a relevant body may, ex officio, obtain vital records certificates and citizenship certificates as a proof of the applicant's identity electronically, provided that the relevant register office has technical capacity for obtaining such evidence*». Furthermore, the Law on the Agency for Identification Documents, Registers and Data Exchange, Chapter IV, defines registers provided by the source authorities to the Agency for the purpose of developing data sharing, and Article 21 of this Chapter provides for the mandatory passage of a bylaw to specify contents of

registers and the method of providing data by the source authority. A proposed bylaw, already drafted and pending passage, specifies that the registers of issued passports and ID cards shall include information about the entry in the vital records and citizenship registers.

The legal changes thus created provided a new legal framework that enables the sharing of vital records using the IDDEEA infrastructure and provides an outstanding opportunity for GAP to achieve a major goal of the project. GAP strongly believes that this approach is the most rational, cost-efficient and politically feasible available and therefore has made this its priority for implementation, sequencing its activities in this area with the activities of BiH authorities. This resulted in delays in the timetable listed in the original Year 1 work plan, but ultimately will result in the achievement of the overall project goal earlier, and more comprehensively, than otherwise possible.

In Year 2, GAP will compensate for lost time due to this re-sequencing by focusing on implementing specific technical requirements which individual municipalities need to fulfill in order to be able to exchange the data through the process explained in activity B2. This process will be initiated immediately, and pilot municipalities will be able to share data automatically within the first six months of the year. The remaining municipalities will be introduced to the system gradually, conditioned to their technical capabilities (as is described in activity B2). The technical solution is based on the analysis conducted by GAP in Year 1, and the technical specification of equipment required for connecting municipalities to the IDDEEA network, drafted by IDDEEA.

Parallel to this process, GAP will work on the legal changes described in activity B.1 in order to provide mechanisms which will supplement changes already made to the Law on Agency, Law on ID Cards, and Law on Travel Documents. GAP will immediately initiate activities on drafting legal changes that specifically enable the sharing of vital records between municipalities and provide for harmonized procedures for issuance of vital records in all municipalities. This will require changes to entity laws and bylaws as described in B1, and will require a harmonized approach between the entities, as well as an agreement between relevant authorities.

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

Activity objective:

- *To lessen 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 legislative framework for electronic document processing has also been gradually built over the past couple of years, with crucial legislation being past very recently, following the government's ICT strategy (which GAP supports).⁸ The state law was

⁸ This legislation includes the BiH Law on Electronic Legal and Commercial Transfer of data (Zakon o elektronskom i pravnom prometu, Sl. gl. 88/07), the BiH Law on Electronic Signature (Sl. Gl. 91/06), the

drafted under the umbrella of the e-Legislation Reform project, which is a joint project of the UNDP and Council of Ministers (note that they believe this law supersedes entity law). The project has also been working on other laws which will require harmonization with the e-document laws and has produced an action plan as well as around 150 pages of concrete amendments to different state and entity laws to harmonize them with the state law. **Note that this situation is changing very rapidly, in part due to the adoption of the visa liberalization roadmap. On 29 January 2009, it appears that a major obstacle to implementation – establishing a certification authority with legal powers across the country – may have been resolved by the Council of Ministers. This, if effective, should complete the requirements for document processing and begin making electronic document processing and sharing a reality.**

Approach: GAP proposes to work towards this objective in two ways. First, we will complete the legal framework to allow e-document processing by undertaking additional legal analyses and developing amendments for laws relevant to municipalities not already drafted by the e-Legislation Reform Project. This includes drafts to the Laws on Vital Records and other legislation as identified in Year 1. Second, GAP will also work to develop and implement new laws with respect to both document processing and record sharing as provided both in activity B.2 and below.

Given that a solid legal framework for electronic document processing has been put in place (albeit not fully implemented), GAP will approach this issue through two sets of activities:

1. Document Processing: The first set of activities relates to harmonizing legislation affecting municipalities with state level laws on document processing, as well as raising awareness among local governments on the new legislative framework. Specifically, GAP will amend the entity Laws on Vital Records (Zakoni o maticnim knjigama) and other legislation affecting municipalities on a priority basis and conduct workshops or seminars for local governments on the new framework to assist in electronic document processing.

RS Law on Electronic Signature; and the RS Law on Electronic Documents (November 2008). The BiH Law on Electronic Legal and Commercial Transfer of data defines electronic data as data formed, stored, transferred or exchanged electronically. It also includes similar provisions on electronic documents (including email). The information society services are defined as services by electronic means, and the legal entities (pravna lica) as established as providers of those services. Article 12 of the Law states that “the legal effect of data in electronic form and their use as any kind of proof cannot be excluded because of the fact that they are in electronic form”. Article 13 of the Law includes detailed provisions on the “storage of documents and data in electronic form”. Article 14 states that “for the transfer and provision of services, the service provider does not need a special official permit, approval, or granting of concession, or compliance with any other similar legal action”. With this final provision, the Law established a legal framework which allows electronic document and data processing in local governments without need for additional approvals from any level of government, or a need for further legal definition of those services. In effect, it ‘legalizes’ the use of electronic data and documents, and furthermore, it gives them a legal power and effect. The RS Law on Electronic Document contains many provisions from the BiH Law in terms of the definitions of electronic data and processing, their storage and use, legal effects, etc. It is, however, more explicit in terms of its use by government bodies and more detailed in the sense that it includes provisions stating that any technological or software solution is allowed for that purpose.

2. Document Sharing: The second set of activities will be directed at a related subject of sharing of electronic records and improvements in the legal framework required by this activity. GAP will work with the government representatives on further amendments to the Law on Vital Records, enabling specifically the sharing of vital records in electronic form, and any other priority legislation. GAP will keep the municipal association staff advised of progress.

GAP will also draft legal documents which would enable full sharing of vital records among municipalities and particularly between two entities. The exchange of data between municipalities in different entities may need to be regulated through an agreement between the two entities, and GAP will help responsible institutions in both entities formulate and draft those documents.

Link to Year 1 Work Plan: Data on electronic document processing was collected from municipalities early in the year, and in May GAP organized meetings with municipal associations to present the data collected and to discuss the way forward. GAP compiled detailed information on the use of electronic document processing in all municipalities. The first draft analysis was produced as scheduled and a final report written at the beginning of the third quarter, outlining the new legal framework in place and suggested a number of corresponding legal changes. The analysis was presented to the associations.

The association presidency functioned in a limited fashion due to elections last fall, was unable to consider the final report in its only meeting, in October. This caused a delay in the proposal and formal approval of these legal changes; the was latter scheduled for December, 2008. (Note that technical solutions, also proposed under this item in the Year 1 work plan have not been delayed; see the following activity).

GAP proposes to compensate for this delay in the final drafting and approval of legal solutions by focusing specifically on changes to the Laws on Vital Records, as described in the approach to this activity, and any other legislation relevant to municipalities that is of high priority on an expedited basis, proposing them to the Association presidency by April 2009 at the latest and to the ministries and/or parliament by June-July 2009. The Year 1 work plan proposed that this activity, i.e. promotion of legislation, begin and continue throughout 2009.

With respect to record sharing, during Year 1 the need for vital records sharing for purposes of visa liberalization became apparent to senior government officials and, as a consequence, an opportunity developed to make rapid progress in this area IF the interests of municipalities could be adequately represented in this process. To that end, GAP worked directly with the BiH Ministry of Security, CIPS (now IDDEEA) and the EC to determine the EC requirements for vital records sharing and how municipalities can benefit from improvement in this process, assisting in the development of a model for vital records sharing and culminating in a letter from the IDDEEA director containing a proposed schedule of implementation. Although the underlying research has been done, the final legal solutions could not be drafted in Year 1. Now that the technical solution has been proposed, the legal solutions described here will be reflective of it. This will be done jointly with relevant entity and state ministries. The schedule for 2009 proposes to initiate the legal changes immediately based on the proposed technical solution, while simultaneously implementing the technical solution in GAP partner municipalities, as described in the activity B2.

Impact: The legislative framework will be improved, enabling electronic document processing in order to lessen administrative burdens on citizens and businesses.

Improved document processing will allow for other e-government reforms and in so doing reduce 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:

1st set of activities (document processing):

- Feb 2009: Review the Council of Ministers decisions establishing a certification agency and other relevant recent changes as to their effect and produce a brief report.
- Feb 2009: Present the legal framework for electronic document processing to local governments together with municipal associations (as it at present exists), including implications of the new decision establishing this certification agency and any other recent decisions.
- Feb 2009: Identify any further need for harmonization with the laws on electronic documents (in addition to the Law on Vital Records).
- Mar 2009: Draft necessary legal changes to any legislation determined to be a priority.
- Apr 2009: Present draft proposals to associations/relevant ministries.
- May 2009: Produce second draft of legal changes based on the input from associations/relevant ministries.
- Jun – Jul 2009: Propose legal changes to relevant ministries, together with municipal associations.
- Jul 2009 – on: Provide supporting materials, analysis and information to ministries and, once introduced, to parliament to help assure their passage, together with the municipal associations. Once adopted, provide technical support for their implementation.

2nd set of activities (document sharing):

- Feb 2009: Meet with entity ministries in order to propose mechanisms for changing the legal framework to allow for full document sharing among municipalities. Form a working body(s) for drafting the necessary legislation, including amendments to the Law on Vital Records.
- Feb - Mar 2009: Work with the relevant ministries and pilot municipalities involved in sharing vital records. Produce first draft proposal of legislation based on GAP's analysis and discussion within the working group.

Mar 2009:	In conjunction with activity B.2, report on progress on document sharing to the JMC with, as appropriate, recommendations as to further alternative action.
Apr 2009:	Present the first draft proposal to municipalities and relevant ministries. Produce second draft proposal.
May 2009:	Present draft proposal to the government, parliament, and relevant stakeholders. Organize conference/public hearing on the legislation as necessary.
Jun 2009:	Promote changes to the governments/parliaments using pilot municipalities as a positive example in advocacy efforts.
Jul 2009 – on:	Engage municipalities as necessary in order to support adoption of legal changes and provide supporting materials for this adoption. Following adoption, work with ministries and municipalities on implementation, developing a structure and action plan.

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

Activity objective:

- *To lessen 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 01 January 2010 and, in accordance with regulations, conduct inspections twice a year. The new Agency for Identification Documents, Registry and Data Exchange of BiH (former CIPS, new acronym IDDEEA) was tasked to prepare and submit to the CoM for adoption a decision defining which segments of the process of issuance of IDs are important for the security of BiH. This provided a breakthrough opportunity to enable the sharing of vital records between municipalities using the IDDEEA network. In the course of Year 1, GAP has been closely coordinating related activities with IDDEEA/CIPS management and technical staff.

Approach: GAP will focus on the need for horizontal flow of data using the existing infrastructure based on a specification of equipment necessary for installation in municipalities in order to connect them to the SDH network owned and maintained by IDDEEA. Municipalities which will thus be linked to the network will make their databases available for an access to vital records for the purpose of exchange of data with other municipalities and issuance of breeder documents in other locations (GAP priority) and for validation of identification necessary for issuance of ID cards and biometric passports (BiH priority from the visa liberalization road map – IDDEEA task). IDDEEA will provide the use of their network, brokering software, and a web service for data exchange. The web service will be deployed in each participating municipality, which will enable safe and secure on-demand data access.

In the immediate offset of the activity, exchange of vital records will be conducted in accordance with the technical capacity of each municipality, according to one of the following procedures:

1. Municipalities with fully verified electronic databases will be able to exchange data almost automatically through the IDDEEA network.
2. Municipalities which have full or partial electronic records, but have not fully verified them, will provide access the data on demand by other municipalities or authorized institutions.
3. Municipalities which still do not hold electronic records, will also have access to the network through an internet connection, but will have to check, verify and provide the data from hard copies of birth books, on demand by other municipalities or authorized institutions.

GAP will focus on implementing a pilot project in GAP partner municipalities with the highest level of readiness and interest and who have fully validated databases of vital records and potentially some non-partner municipalities who express an interest in participating (as necessary to achieve GAP's objectives). Implementing the solution in several pilot municipalities will enable a large share of the total population in BiH to use this service immediately.

Link to Year 1 Work Plan: In Year 1, GAP conducted the legal and technical analysis and a report has been produced. A number of meetings were held with the representatives of the BiH Ministry of Security, CIPS and EC in order to determine the EC requirements for vital records sharing which is a condition for the visa liberalization. Also, GAP held a presentation for CIPS technical staff on vital documents processing and system in place in GAP partner municipalities. Based on those meetings a model for vital records sharing was defined together with CIPS and GAP received a letter from CIPS director with a proposed schedule of implementation. By the end of December, GAP and CIPS held a final meeting in which details of the technical solution were finalized a report was produced.

Impact: Inter-municipal communication will be improved enabling vital records sharing 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 F BiH 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 2009:	Tendering for firewalls which would enable the connection to SDH network for 25 GAP partner municipalities as part of GAP's planned material assistance.
Feb 2009:	Together with Agency for Identification Documents, Registry and Data Exchange of BiH, organize presentations to municipalities on vital records sharing. Presentations will be organized to include all municipalities in BiH.
Feb 2009:	Present the technical solution to selected partner municipalities who would be involved in the pilot project, identifying specific steps in its implementation. Particularly address the municipalities which already have the necessary equipment installed and can start implementation immediately.
End of Feb 2009:	Connect to the SDH network the first group of municipalities. Conduct testing.
Feb 2009:	Selection of contactor and purchasing of equipment for the second group of 25 GAP partner municipalities.
Mar 2009:	Installation of equipment in the second group of municipalities.
Mar 2009:	Report on progress on document sharing to the JMC with, as appropriate, recommendations as to further action.
Apr 2009:	Second group of pilot municipalities integrated into the data exchange system and connected to SDH network.
May 2009:	Test the system for the second group of municipalities.
Jun 2009:	System operational in all pilot municipalities.
Jul – Dec 2009:	Evaluate the system, work with IDDEEA and other agencies on its expansion.

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 Dayton Agreement provided no powers for state level to regulate these issues, the Council of Europe concluded that entities are, in fact, responsible for the implementation of the Charter. Republika Srpska 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. all cantonal and federal laws that this Law is addressing have 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 a key to improvement of governance and of 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 a key to development, moving BiH closer to the EU. As EU Special Representative Lajcak recently said, roughly 70% of the requirements for EU membership will fall on municipalities.

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

Approach:

Although the FBiH Law on Principles of Local Self-Governance was adopted late in 2006, its implementation has lagged for three main reasons:

1. A lack of quality information on which to base decisions due in large part to a lack of capacity in relevant institutions to undertake the necessary legal and policy research;
2. A lack of a formal coordination mechanism between different levels of government responsible for its implementation and a policy arena in which this coordination could occur; and
3. A low priority given this implementation by the FBiH government, in part due to political issues associated with implementation and in part due to a lack of understanding of their importance.

In Year 1, GAP made major progress in addressing the first and second items, above, with the creation of the Coordinating Committee for the Implementation of the Law on Principles of Local Self-Governance on September 29 and supporting research and analysis. This committee could provide the formal mechanism or forum to address the issues surrounding implementation and follows from the Conference on Implementation of the Law on LSG in FBiH organized by GAP in 2007.

In Year 1, GAP also began to address the latter issue as well.

In Year 2, GAP will target each of these issues more directly. With respect to the first issue, lack of information, GAP will apply a three stage process:

Stage 1: Implementation Strategy

GAP will produce a report based on the list of laws developed by GAP that require harmonization with the LSG laws. This is an activity which began in the first year of the project, and relevant STTA request has already been submitted to the JMC. The analysis will provide information on: (1) the direction that should be taken in the harmonization with the LSG Law; (2) the recommended priority areas for legal changes; and (3) the issues associated with harmonization. Based on this analysis, the

Coordinating Committee will be able to determine priorities for action. This analysis will be completed in March 2009.

Stage 2: Action Plans for Implementation of the Law

GAP will provide specific legal and technical advice based on the analysis and recommend priority policy areas. GAP will accordingly engage government representatives participating in the Coordinating Committee to determine the priorities and timelines for harmonization of the necessary legislation, and the required transfers of competencies. This will be formulated into an action plan, and will be completed in April 2009

Stage 3: Specific Policy Proposals

Following adoption of the action plan and based on its priorities and timelines, GAP will identify a number of areas where we can provide technical support in drafting the necessary legislation. As a part of that process, GAP will assemble or coordinate the assembly of necessary background information on each potential priority where we engage. Of course the Coordinating Commission has the final decision on priorities but, based on GAP's past work in this area, we believe that these priority laws are likely to include (in no particular order):

- Cantonal Laws on Local Self-Governance,
- Law on Administration,
- Law on Spatial Planning,
- Construction and Land Law,
- Social Protection Law,
- Cadastre Law,
- Concessions Law,
- Laws regulating primary education financing, etc.

In line with GAP's capacities, GAP will help draft changes to some of those laws. This will be a demand-driven process supported by a research-based gathering of evidence conducted by GAP in the first two stages of this process, according to a schedule described below. The first set of legislative drafts will be completed by September 2009 and proposed to the government by November.

By the end of Year 2, GAP will therefore have produced an implementation strategy report setting future direction for implementation of the law, formulated an action plan for its implementation, developed a list of priorities, drafted or helped draft legislation addressing those priorities, organized workshops or hearings on these priorities, presented them to the coordinating commission for presentation to the government. By involving the municipal association throughout, GAP will also ensure that there is strong municipal support behind the changes and, should the coordinating committee not proceed for some reason, an alternative means of utilizing the information developed and legal drafts prepared.

Link to Year 1 Work Plan: See above discussion. As noted, the delay in appointment of the Coordination Committee by the Minister of Justice (first proposed in May, agreed to in June, achieved in September) has delayed the approval of the action plan, scheduled

originally for approval in November 2008. GAP proposes to compensate for this delay by using the working groups, which were approved on schedule, to provide a more comprehensive implementation strategy than had been proposed in the Year 1 work plan and, in so doing, have legislative proposals drafted and supporting materials prepared as scheduled in the Year 1 work plan (May 2009).

Impact: 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:

- Feb - Mar 2009: Produce an implementation strategy based on the list of laws that require harmonization with the LSG laws. This strategy will include (1) the direction that should be taken in the harmonization with the LSG Law; (2) the recommended priority areas for legal changes; and (3) the issues associated with harmonization.
- Mar 2009: Formulate an action plan for their implementation as well as for distribution to the committee and the municipal association. Presentation of the action plan and supporting materials to the Coordinating Committee.
- Apr 2009: Using the list of policy priorities, GAP collects information on the required changes for drafting new legislation or legal amendments, surveying municipalities with the assistance of the municipal associations and producing a written analysis of these needed changes based on their responses
- End of Apr 2009: Report on progress of the Committee in meeting its objectives to the JMC with, as appropriate, alternative courses of action to further work in this area.⁹
- May 2009: GAP will present the analysis to the relevant working group of the Coordinating Committee. With the working group, GAP will address any need for legal harmonization, legislative barriers and define legal solutions. GAP will produce a report to serve as the basis for legal solutions.

⁹ Although GAP believes the Coordination Committee offers the best chance for significant progress in implementation of the Law on Local Self-governance, GAP also reserves the option of directly proposing policy reforms to the Coordination Committee, the association presidency, parliament, or government agencies should it be deemed by GAP and/or its donors that insufficient progress towards overall program objectives is being made. In the activity schedule, a set of key quarterly dates are proposed at which time GAP will evaluate and report on the progress of the coordinating committees in developing and promoting policy priorities. Should progress be deemed by GAP and/or the JMC to be inadequate, GAP will directly undertake a set of activities specified below towards their implementation.

- May - Jun 2009: GAP will draft or coordinate the drafting of legislation or amendments based on input from the working group and the report written in the previous step, resulting in a set of amendments or draft laws for presentation to the Coordinating Committee's working groups.
- End of June 2009: GAP will present draft legal changes to the working groups, eliciting comments and recommendations and, based on them, refining the draft legal changes and supporting material for presentation to the full Coordination Committee.
- July 2009: GAP and the working group will present draft legislation or amendments to the Coordination Committee for their consideration and adoption. Once adopted by the Committee, GAP will forward or help forward that legislation to the relevant government ministry or directly to parliament for introduction
- Aug 2009 - on: GAP will organize workshops or public hearings on the proposed legislation as necessary. GAP will also present the draft legislation to the government, parliament or association representatives as necessary in order to support its adoption.
- 2010 – on: Provide supporting materials on proposed legislation and follow a similar process for lower priority changes. Once adopted, coordinate the drafting and development of implementing rules and other material.

Activity C.2: Developing a new Chart of Accounts for Municipal Use

Activity objective:

- *Developing a revised Chart of Accounts in BiH to facilitate more accurate reporting and further functional decentralization*

Rationale: 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 focused heavily on providing assistance to the Fiscal Department of the FBiH Ministry of Finance in establishing a database of revenues for the purpose of tracking revenues by municipality. This has provided the ministry with a tool for evaluating the impact of policy choices on local governments and will help facilitate further fiscal decentralization.

This exercise showed that problems with reporting and registering revenues and expenditures are caused by both an inadequate Chart of Accounts and a lack of understanding of these accounts and of reporting in general. A next step in information provision relating to decentralization, which GAP explored in Year 1, is to develop an expenditure database similar to the revenue database. But to simply computerize the current chart of accounts-based reports will likely prove a waste of time and resources, as this chart needs rewriting, both because of inadequacies and because FBiH and RS use different charts of accounts, making preparation of consolidated budget reports at the national level difficult, if not impossible.

Approach: As that this issue has a large number of stakeholders, it is necessary to build consensus regarding the need to change the chart of accounts to be more adequate to current and upcoming needs. GAP would thus bring together interested parties in order to focus on producing one chart of accounts or harmonized charts of accounts for local governments.

The main focus of GAP would be the sections of the chart of accounts that affect the work of local governments. GAP would thus rely on very close coordination with other donor projects and government initiatives which would focus on harmonizing the chart of accounts across different levels of government. If such cooperation is not forthcoming, GAP will instead focus on production of improved information for those sections of the current chart of accounts relevant to municipalities, including the production of explanatory material and training.

Impact:

Producing a harmonized Chart of Accounts that would take into account the specifics of different levels of government.

Removing obstacles to increased fiscal decentralization and indentifying horizontal disparities in revenues and expenditures.

Counterparts: DFID SPEM III project, EC Delegation, OMA, PARCOR, BiH and Entity Ministries of Finance, Cantonal Ministries of Finance, Entity Associations of Cities and Municipalities

Resources: GAP policy staff, logistics for the meetings of the Working group, international STTA

Schedule:

- Feb 2009: Hold meetings with potentially interested parties (includes all donors with possible involvements, different ministries of finance, OMA / FC Secretariat, Associations of Cities and Municipalities, PARCOR) to evaluate their interest and potential participation in the endeavor.
- Mar 2009: Based on results of the meetings, coordinate with the MoFs and municipal associations in developing a part of the Chart of Accounts (CoA) focusing on local governments.
- Mar 2009: Produce a report on best practices in structuring a chart of accounts or, if agreement is not forthcoming, work with the MoFs in preparing explanatory material for compliance with the existing chart.
- Mar – Sep 2009: The following steps are envisaged as a part of GAP's contribution to the production of a part of CoA focusing on local governments:
- a. Produce research and gather data on the current use of codes in individual municipalities.
 - b. Visit individual municipalities as a part of the needs assessment.
 - c. Produce an analysis of all codes currently used by municipalities.
 - d. Together with the association committees discuss the revenues that need to be registered under separate codes to fit municipal needs. Produce a list of such codes with explanations of their purpose.
 - e. Research particular examples where a separate CoA was made for the needs of local governments as examples of solutions, and produce comparative analysis with current situation in the entities.
 - f. Produce concrete proposals of CoA organization that would be responsive to local governments needs or, if agreement on a new CoA is not forthcoming, produce proposals on improving the functioning of the current CoA for local governments.
- Oct – Nov 2009: Present the draft of the CoA or the new explanatory material to the municipalities.
- Dec 2009: Finalize either a basis for an improved CoA or recommendations on the current CoA and present to the MoFs.

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

Activity objective:

- *Facilitate the process of introduction of Treasury operations in FBiH municipalities*
- *Avoid setbacks or future obstacles in public expenditure management reform due to inappropriate implementation*

Rationale: The deadline for introduction of the Treasury to municipalities in FBiH is set to be April 2009. During the second half of 2008, GAP provided assistance to the working group established by the FBiH Municipal Association in producing an action plan regarding the introduction of the Treasury, which also served as a basis for discussion with the MoF. The association has presented a case to the FBiH Ministry of Finance during a meeting held on 21 November asking for the extension of that deadline until the end of 2009, so that the transition to treasury operations can be made to coincide with the budget year.

The Ministry has responded positively to the municipalities' need for an extension in introduction of the treasury system. However, the formal extension is pending adoption of an amendment to the Law on Budgets. The Ministry of Finance is preparing a set of guidebooks dealing with the modules for a minimum of requirements to introduce the treasury system, which is anticipated for adoption in early 2009.

Approach: GAP will engage (and has been engaging) with the association to ensure that all municipalities have the necessary information and basic training that will enable them to work on treasury introduction. GAP will organize or assure that adequate training is held during the process of introducing the treasury system. The support will include organization of workshops, preparation of training material, and providing analysis and information to the established working group.

The technical expertise will be aimed at providing municipalities with templates of different rulebooks and procedures required by the introduction of treasuries touching on procurement in order to insure there is an open competition among software vendors in support of the municipal association's position. GAP will provide guidance in all the steps that municipalities must take from the start of the process until the moment they publish the tender. GAP will also suggest that these tenders require that the software providers (for those municipalities that need new software) have the responsibility to provide training in particular applications and modules they develop for treasury operations.

The IABS software contains modules which underpin the treasury system; GAP will work with the vendor to ensure that the adjustments needed are provided in time and of acceptable quality and will further explore the linkage between a treasury system in the RS and IABS (see Component 1, Activity B.1, above, for details).

The templates of rulebooks which will also be produced will form a chapter of the *Budget Guide*,¹⁰ which will be distributed through the municipal associations. This will be accompanied by adequate training activities, which will be organized with the associations and MoFs in order to facilitate the introduction of treasuries and its requirements.

GAP will also continue to participate in the work of the working group established by the association and to provide continuous support to the association, including monitoring the implementation of the schedule and providing advice on technical and legal issues.

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In the RS, the RS Government contracted with a vendor to provide one server that is located in the RS Ministry of Finance for implementation of the treasury system. For further discussion on this issue, see Component 1, Activity B.2, above.

Impact: Municipalities will be provided with the crucial information and training that will enable them to introduce treasuries next year, with no negative implications for public financial management reform.

Counterparts: Association of Cities and Municipalities, MoF, software providers.

Resources: GAP policy staff, logistics support for trainings, local STTA.

Schedule:

The schedule is based on the anticipated extension of the deadline for introduction of treasuries and therefore subject to parliamentary approval.

- | | |
|-----------------|--|
| Ongoing: | Participate in the work of the working group established by the association which will coordinate the process of Treasury introduction and association activities in this regard. |
| Jan – Feb 2009: | On behalf of, and along with, the association, directly approach the Ministry of Finance to request a delay in the implementation of the new treasury system until January 2010 and to not require a monopoly on technical solutions. |
| Feb – Mar 2009: | Organize, together with the association, workshops for municipalities where the developed action plan will be presented, the preliminary activities and procedures needed explained and the main requirements for tender underlined (what modules must be present to satisfy the Law, training requirement from the provider, open competition necessity etc.) . |
| Feb – Mar 2009: | Develop templates for treasury introduction related procedures and documents as listed by the association Action Plan. |

¹⁰ Also see the discussion of enhancements to the *Budget Guide* in the local interventions section

- May - Jun 2009: Draft and distribute through the association a chapter in the *Budget Guide* on treasuries that will include the developed templates.
- May 2009 – on: Organize as necessary support workshops for municipalities on different aspects of Treasury introduction following recommendations or requests made by the Association Working Group.

Activity C.4: Assist the Ministries of Finance in Developing a Debt Reporting Database

Activity objective:

- *Database for debt reporting developed in both entity Ministries of Finance*
- *Responsible and legally compliant borrowing by municipalities*

Rationale: In Year 1, working together with BH Experts, assistance was provided to the RS MoF in developing the rulebooks needed for the implementation of the RS Law on Debt, Borrowing and Guarantees. Following this process, it has become necessary to assist the MoFs in improving their decision making process when approving loans and their capacity to monitor the overall debt burden through the improvement of the existing or production of a new database for the reports on debt provided by municipalities.

Approach: GAP will offer assistance to develop the databases for debt reports tailored to their particular requirements. The work on database development will be aimed at producing a tool sophisticated enough to be used by the ministries to both easily track the relationship between the debt burden and the allowed legal ceilings for borrowing as well as to be able to oversee total municipal debt in the entity for policy analysis purposes. It is anticipated that the programming costs will be relatively minor, however, and maintenance well within the capacity of the MoFs to absorb.

Impact: Enabling easy access to debt data during the process of granting approval for municipal loans facilitates responsible borrowing.

Counterparts: Entity Ministries of Finance, RS and FBiH Associations of Cities and Municipalities.

Resources: GAP policy staff, local STTA

Schedule:

- Jan 2009: Discuss with the Ministries of Finance the overall structure and timing of development of the debt databases to insure staff availability
- Feb - Mar 2009: Together with the MoFs, develop a written specification for the database.
- Apr – May 2009: Develop the database.

May – Jun 2009:	Installation of the database and training of ministry staff in its operation.
Jun – Aug 2009:	Presentation of the database through joint workshops organized by GAP and with associations and MoFs.
Sep 2009 on:	MoFs implement the database

Activity C.5: Improved Management of Municipal Property

Activity objective:

- *To improve municipal finances and planning capacity*

Rationale: Adoption of the Law on Real Rights in RS marked a new approach in regulating 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 near future, with a similar significant impact on property relations in FBiH. By introducing a whole new system of property rights, these laws will have great impact on municipalities as it 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.

In the coming years local governments will face different challenges regarding asset management in BiH. They 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 creating new management practices. As a consequence, 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 a difficult and important task. As such, it will require a new knowledge of procedures, principles and means of managing municipal property and also likely further policy changes.

Approach: GAP's efforts in this area will build on the work done in the previous phase of the project and Year 1 of the current project. In addition to the implementation of the new legislation, it will also address these new property relations through introduction of new methods of property management. Our activities will introduce a market-oriented approach to property management, drawing on best practices from the region and beyond. The focus of GAP's efforts will be on the effects of current and pending legislation on local asset management, taking into account best practices from other transition nations. GAP will produce policies on defining surplus assets and revenue generation from assets for distribution by the associations, seeking to seek to match property portfolios transferred to local governments and functions that are the responsibility of local governments. GAP will also draft model local land policies and develop guidelines on the

process of asset management, including improvement of procedures of land allocation, as guiding documents for local governments.

Assessment of asset management: GAP will provide support to the associations in conducting an assessment of municipal asset management. The assessment will be based on GAP's previous reports on the legislative framework concerning municipal property. In the RS, the assessment will be used to help establish new priorities regarding property management in accordance with the new legislative system. In FBiH the assessment will help municipalities prepare for completion of the property transfer in order to gain a competitive advantage.

The assessment will focus on effects of current and future legislation on local asset management and best practices from other transition nations, producing policies on defining surplus assets and revenue generation from assets, and will seek to match property portfolios transferred to local governments and functions that are the responsibility of local governments. It will define local land policies and develop guidelines on the process of asset management, including improvement of procedures of land allocation, as guiding or binding documents for local governments. By undertaking this task at this time, adequate detailed information necessary for the successful implementation of the new legislation can be assured and the need identified for amendments to other legislation. From this assessment, draft model land policies and guidelines may be developed.

- a) **Legal changes:** The assessment thus produced along with analysis and reports produced by GAP earlier in the project will provide 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 anticipation of approval of a final list of policy priorities by the municipal associations, scheduled to be proposed in December 2008 and finalized in February 2009, GAP believes that the following list of laws recognized by our reports will be given priority and will therefore be the focus of GAP's further activities in this area:

1. **Law on Construction Land (FBiH);**
2. **Law on Construction land (RS);**
3. **Law on Expropriation (FBiH);**
4. **Law on Cadastre; and**
5. **Law on Changes of the Law on Land Registry (FBiH).**

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.

- b) **Training and workshops for groups of municipalities through the municipal associations:** Training and workshops on assets management will be developed based on the assessment of asset management. Subject to findings of the assessment, they will include modules on specialized topics (legal, financial, basics of land economics and pricing municipal property, land management, public-private partnerships, and so forth).

The legal aspect of this training will include workshops on implementation of the Law on Real Rights in RS and later in FBiH, organized jointly with experts from GTZ and other agencies as appropriate, including explanation of new principles, solutions and institutes introduced by the law.

Link to Year 1 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.

Impact: 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, entity parliaments, government (Ministry of Justice), GTZ and other international stakeholders.

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

Schedule:

A) Schedule for the assessment of asset management:

Jan-Feb 2009:	Conduct desk research based on GAP's analysis, reports and available literature and legislation.
Mar 2009:	Conduct field research as a part of the assessment. Organize meetings with associations, relevant ministries, members of parliament, selected municipalities, GAP MI staff and relevant institutions and organizations. Gather data.
Apr 2009:	Based on the above two steps, produce an initial assessment on current practices in asset management and potential areas for improvement.
May – Jun 2009:	Present assessment to the relevant association committees. Based on inputs from associations produce final document with policy recommendations on defining surplus assets and revenue generation from assets including draft model local land policies.
Jul 2009:	Promotion of the assessment and policy changes. Workshops with government/parliament/coordinating committee.

B) Schedule for legal and policy changes:

For each reform selected from the above list, and other reform proposals selected by the associations, GAP will follow the schedule depending on nature of the

policy changes required. Therefore the schedule will slightly vary depending on whether policy changes demand drafting of new legislation or amending the existing one.

1. Law to be drafted: If a draft of new legislation is needed, (e.g. Law on Construction Land F BiH) the schedule will be based on the following steps as closely as possible and subject to the association's priorities:

- Jan-Feb 2009: Collect information through the municipal association on a need for drafting new legislation. Conduct field research and discussions in association committees.
- Feb 2009: Produce analysis based on input from municipalities on a need for drafting new legislation and solutions it should bring.
- Mar 2009: Based on respond to GAP's analysis, present results to associations' boards/committees in order to determine methodology for further work on drafting new legislation. If needed, form working group for drafting the law within the association.
- Apr- May 2009: Work with the working group, if formed, to provide advice and propose legal solutions.
- Jun 2009: Present legal solutions and communicate them to government/parliament representatives through meetings, workshops, presentations to committees.
- Jul 2009 – on: Organize meetings as necessary jointly with the associations in support of adoption of this legislation and, if adopted, conduce and analysis of the requirements for its orderly implementation.

2. Amendments: In the case of amending existing laws which have been determined as the association's policy priorities (e.g. Law on Cadastre in the F BiH), GAP's schedule will be based on the following steps, subject to the association's sequencing of priorities:

- Feb - Mar 2009: Gather comments from municipalities regarding specific provisions of the law recognized as a policy priority by the association. As a final outcome produce a list of comments to be presented to the association's committees/boards.
- Apr 2009: Work with the association's committees/boards, and mayors from the association presidency to address these legislative barriers and define legal solutions. Produce amendments based on input from

	municipalities and discussion of the boards/committees.
May 2009:	Present drafted solutions to the association's presidency. Present drafted solutions to the Coordination Committee (FBiH) or Ministry for Local Self-governance (RS).
Jun 2009:	Based on input of the mayors and relevant stakeholders, work on refinement of the drafted legislation. Output will be final draft of the amendments or the law.
Jul-Sep 2009:	Organize meetings jointly with associations to present drafted legislation to the government, parliament, and relevant stakeholders. Organize conference/public hearing on the legislation if necessary and help prepare presentations.
Sep 2009 – on:	Organize meetings with the associations in support of adoption of this legislation as needed. If adopted, conduct an analysis of the requirements to ensure its orderly implementation.

C) Schedule for training on asset management through the municipal associations

May 2009:	Together with the associations develop training modules based on the assessment of asset management. Determine schedule for conducting trainings.
Jun – Sep 2009:	Conduct the trainings and workshops for groups of municipalities.
Jun 2009:	Organize workshops on implementation of the Law on Real Rights in RS with association and GTZ or other donors as possible (legal module).
Jun-Jul 2009:	Organize workshops on Law on Real Rights in FBiH with association and GTZ (legal module).

Activity C.6: Present the Revenue Database to Municipalities

Activity objective:

- *Municipalities capable of fulfilling the reporting requirements*
- *Better information leading to greater fiscal decentralization*

Rationale: In Year 1, GAP provided the FBiH Ministry of Finance Fiscal Policy Department a database for collection of monthly reports on revenues from municipalities

(and cantons) directly. The database was delivered in December, and the MoF reported satisfaction with the concept. For the first time, the Ministry will have current information on revenues by municipality, which will make projections of effects of any future policy changes easier along with analysis of already implemented reforms.

However, the new approach assigns increasing reporting responsibilities to local governments along with the move away from paper-based reports to direct data entry, and therefore requires that they understand how the database functions and their role in data submission. The Ministry of Finance has asked GAP to assist them in organizing workshops where the database will be presented to municipalities and new requirements explained in detail.

Approach: GAP will work together with the FBiH Ministry of Finance and the FBiH Association of Cities and Municipalities to organize a set of workshops. At these workshops, the ministry representatives will present the developed database, explain its functioning and provide guidance on how to approach data entry in the base.

GAP will also (as needed) work with the MoF in interpretation of these revenue data from municipalities.

Link to Year Work Plan: During Year 1 of the project, GAP completed activities aimed at strengthening the capacity for costing of functions. The training was first done for the permanent staff of the Ministry, then was repeated in December at the request of the Ministry for the junior professional that was hired by the MoF. In the end, GAP produced a short guideline paper and Excel materials, which will guide the work of the MOF staff in the future.

GAP held meetings with the RS MoF in order to organize presentations for their management and staff on the reporting database which was produced for the FBiH MoF. During those meetings, the RS MoF expressed considerable satisfaction with the format they currently use and no further assistance was deemed required by them at this time.

GAP also conducted the planned research in expenditure formats and the following conclusions were made:

1. The current Chart of Accounts does not correspond to the needs of municipalities to record their budget revenues and expenditures.
2. Moreover, the chart of accounts is not used adequately even in its current problematic and inconsistent form.
3. Providing the Ministry of Finance with an expenditure database would not resolve the problem of inadequate chart of accounts (the functional classification that is necessary to actually estimate the costs of a function is either not used or is used inadequately) and any information obtained through the exercise would not present much value added, as the information per municipality in same rudimentary form is being already collected by Macroeconomic Analysis Unit of the ITA and can be drawn upon if necessary.

4. EC plans a massive investment through its next year IPA – 2010 funds into improving the reporting network in the whole of BiH (including Federation and RS), however, they have not planned any specific investment into improving Chart of Accounts, which will again hamper the quality of data gathered.

Thus, GAP's judgment was that the Chart of Accounts required a more immediate attention, while the expenditure format will be subject to more significant and all encompassing efforts outside of GAP.

Impact:

Ministry of Finance will have the detailed information on revenues they need to make assessments about impacts of policy changes on municipal revenues, and to produce projections of effects of potential policy changes in future on individual municipalities.

Counterparts: FBIH Ministry of Finance, FBIH Association of Cities and Municipalities.

Resources: GAP policy staff, local STTA

Schedule:

Jan 2009:	Together with the FBIH MoF and the FBIH Municipal Association, set a schedule and timetable for these workshops.
Jan - Feb 2009:	Draft or help draft the presentations for the workshops. Immediate result will be these presentations and other training material as appropriate.
Feb - Mar 2009:	Organize the workshops on "Reporting for Municipalities" together with the ministry and the association. The result of this activity will be these workshops and associated material.
Mar 2009 – on:	Train the MoF staff on interpretation of these data as needed. The result of this activity will be periodic reports as requested.

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.

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 has 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.

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 2009; 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 the 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 to 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: In line with this objective, and building up on its CIP activity and co-financing program discussed elsewhere in this work plan as well as progress made in the first year, GAP will work on improving the overall conditions for municipal borrowing. In the first year, GAP has undertaken 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 has 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 this year, GAP will work with both entities on the development and/or improvement of the existing databases in the entities for tracking of municipal loans. Apart from the obvious importance and value of the task for both Ministries of Finance and the resultant increase in their comfort level with municipal debt, a second output of this task will be a better overview of the debt situation in partner and non-partner municipalities throughout BiH. This task should be completed by November 2009 and is developed in detail within the policy interventions section of this work plan. In addition, amendments to the laws on real property rights as discussed in the policy interventions section of this work plan will clarify issues relating to the ownership of public property and thus assist in its assignment as collateral.

As noted under the local interventions section of this work plan, GAP will be working on the establishment and institutionalization of the CIP processes in all legacy municipalities. It is envisaged that most of the municipalities that prove to have capacity to follow the demanding CIP methodology will have adopted five-year CIP plans by the end of 2008. Once the CIP institutionalization process is finalized GAP will start introducing the municipal borrowing activity in selected number of municipalities early in 2009.

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 build on the *Municipal Credit Market Report* published in 2008 and facilitate meetings and workshops with key players as appropriate to identify funding sources and any impediments to financing. In case that such 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 should the municipality deem that an appropriate priority.

On completion of these preparatory 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. This training could be conducted in cooperation 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. Plans are to do so initially through a central conference where GAP would bring together lenders and partner municipalities to exchange information. This conference will take place early in 2009, and will be followed by a series of four regional three-day training sessions on creditworthiness assessment, loan packaging and public procurement of loans. These training sessions will be organized by GAP.

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.

Impact: 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 better understanding of factors affecting the supply and demand and minimal requirements for successful lending.

Through co-financing of loans, donor resources will leverage other funds to facilitate much greater capital investment in partner municipalities and an improved market for municipal debt obligations, with a total increase of at least US\$23 million.

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

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

Schedule:

- | | |
|-----------------|---|
| Feb - Mar 2009: | Credit market conference, bringing together lending agencies and municipalities, with presentations on borrowing and creditworthiness |
| Mar – Apr 2009: | Set of four three-day training sessions on creditworthiness assessment, loan packaging and public procurement of loans |

Apr 2009 – on: Individual meetings and discussions with partner municipalities on debt-related issues from GAP capital projects staff and others.

Nov 2009: Databases on municipal loan tracking implemented

Follow-on activities:

2010 - 2012: Cohort 3 and Cohort 4 municipalities receive training on issues relating to municipal borrowing as part of their CIP training. Other municipalities receive continuous demand driven support

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 were designed to assist in bringing together lenders and municipalities, for lending at market rates on significant capital projects to become more mainstream it may be necessary to initially 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 two or more municipalities that are willing and prepared to serve as trailblazers (pilots) in demonstrating how grant subsidies can be efficiently combined with market-rate bank 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.

Impact: 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.

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

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

Schedule:

- Jan – Feb 2009: Trailblazer municipalities identified; initial work with financial institutions on obstacles to lending and blending with grant funds
- Feb – Mar 2009: 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.
- Mar-May 2009: Completion of loan packages and approval of loans.
- Jun 2009 – on: Issuance of loans and beginning of capital project.
- Sep 2009: 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: While in the Year 1 the structure and specification of the data base has been completed, and the process leading to the data feed commenced, the main task of the second project year is putting this database into full operation and handing over the ownership of the database to the associations of municipalities, enabling them to pair municipalities with experienced consultants and organizations.

Following data base implementation, GAP will in partnership with the associations determine utilization patterns and review funding options to make the database sustainable, including funding by the association through membership dues or fees, access fees for municipal users, listing fees by consultants, or some combination.

Impact: 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 (UNDP's ILDP project, Mostar and municipality of Vejle - Denmark initiative on training center for officials, Civil Servants Agency.)

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

Schedule:

Jan - Feb 2009:	Receipt of initial applications of potential consultants and consulting firms
Mar 2009:	Populating of the initial data completed
Mar 2009:	Association training
Dec 2009:	Handover of responsibility for the database to municipal associations completed
Thru EOP:	Monitor its further use, maintenance and implementation

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 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 is conducted in connection with working out the implementation of Municipal Action Plans in legacy municipalities and with capacity development for Capital Improvement Project implementation. Training materials are consolidated into a handbook on contracting for consulting services made available at a later date to all municipalities in BiH either directly or through the associations. Additionally, practical advisory assistance will be provided regarding the RFP preparation and contract negotiation.

As in 2009 a new Cohort is joining GAP, the training program will also extend to cover these new partners.

Impact: 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.

Counterparts: Representatives of municipal departments and representatives of municipal associations

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

Schedule:

Jan – May 2009: Provide one-on-one training to legacy municipally MAP working groups in the preparation of a full scope of work and basic request for proposals for a consultancy project to be implemented under the MAP.

Jul 2009 and on: Consultancy contracting training for Cohort 4 municipalities

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.

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 with legacy (and, later, Cohort 3 and 4 municipalities), 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.

Impact: 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.

Counterparts: Representatives of municipal departments, representatives of municipal associations, consultants.

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

Schedule:

Date TBD¹¹: Work with organizers of the Municipal Fair to identify and invite consultants to participate at the Fair, organize a session on consulting

¹¹ Connected with the decision on the Municipal Fair date

- Jan 2009 – date of the Fair¹²: Review of funding opportunities for consulting services;
Review of range of consultancy services and likely demand 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. Last year 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.

¹² In case the results of the work are to be presented at the Fair.

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 round 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 also 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.

Impact: 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.

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 2009: Discuss statutory reform with municipal associations and Gender Centers

Jun 2009: 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 incorporate training on gender awareness in its training on budgeting for new municipalities and, where requested, for legacy municipalities. 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.

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 at their request.

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: In cooperation with gender centers GAP will organize training sessions that will include participants from municipal gender committee, municipal council, women entrepreneurs and women's NGOS. 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.

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 will be 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, relay and complement each other.

GAP will arrange and present 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 will also provide updated performance data in quarterly project reports and annual work plans. The format will show performance with respect to targets and provide 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 will be collected on a regular and timely basis. These are essential to the operation of a credible and useful performance-based management approach. P-BMPs promote 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-BMPs support 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 will help keep the performance monitoring system on track and ensure 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 will be 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 will be 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 will assist 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 first 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 an annual survey on budget performance indicators with thorough analysis;
- Reported on quarterly findings on quarterly performance indicators as an Annex to GAP Quarterly Reports;
- Conducted first regular survey on P-BMP; and
- Submitted a comprehensive report on the P-BMP Regular Survey (November 2008).

In year 2, GAP P-BMP activities will focus on following issues:

- Conducting regular quarterly, semi-annual and annual surveys on specific performance indicators with establishing baseline data for Cohort 4 municipalities;
- Reporting on quarterly findings on quarterly performance indicators as an Annex to GAP Quarterly Reports;
- Conducting two P-BMP regular surveys including establishing baseline data for Cohort 4 municipalities;
- 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 2009 and November 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 a 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 2, GAP MCI activities will focus on following issues:

- Two MCI Regular Surveys (April 2009 and October 2009); and

- Two reports on findings from MCI Regular Surveys (May 2009 and November 2009).

Based upon the findings from MCI surveys in next year and in comparison to first project 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 may also be 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 will be 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 can assist 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 will be encouraged to use in-house generated attitudinal surveys on a regular basis.

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

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

- Conducted a repeat 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

- Submitted a comprehensive Report on Attitudinal Survey 2008 (August 2008).

In year 2, 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 including baseline survey for Cohort 4 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: COHORT 4 SELECTION METHODOLOGY

As noted in the work plan, GAP's contract requires that the selection methodology be included in the second year work plan. The selection methodology is not specified, by that contract; it states only that it must "primarily take political will and potential impact into account." As the selection process is underway at the time of this writing, and an overview provided for approval earlier, the purpose of this section is only to provide information required by the contract.

The initial selection process began immediately following the certification of final results of the 2008 municipal elections on 11 November, 2008. Using an approach similar to that applied by SNV, who assisted in the selection of Cohort 3, and one discussed with the JMC, every non-GAP municipality was sent a letter and initial questionnaire to ascertain their interest in becoming a partner municipality. In recognition of the disruptions caused by the elections in municipal administrations, GAP also contacted all municipalities by telephone to ensure both old and new administrations were aware of this opportunity. The deadline for expression of interest and submission of completed questionnaires was 21 November 2008.

Of 84 municipalities identified, 79 responded favorably by the deadline, indicating their desire to become GAP partners. In the RS, 43 of 44 municipalities applied, and in FBiH 36 of 40 applied. All also provided completed questionnaires for purposes of evaluation. These completed questionnaires were entered into a detailed database.

In the first year work plan, GAP recommended a two-stage process in the selection of this group. The first stage was winnowing down the list of all applicants to a manageable number for detailed field visits and interviews (approximately 32). As, at this stage, it is difficult to ascertain political will as specified in the contract, as many mayors and councilors or assembly members are newly elected, application for participation in GAP is considered sufficient indication of that will. This means that potential impact is the sole measure to be applied at this initial, first stage.

Potential impact was interpreted as meaning the greatest improvement in municipal services for the largest number of citizens in BiH, resulting in two primary criteria: Magnitude of likely service improvement and population. The former is a function of motivation, current level of reform and capacity to absorb additional assistance. This does of course not automatically ensure that only larger municipalities were selected. In many cases, their level of service is already sufficiently high so as to make the effect of GAP's reforms small on the margin, minimizing that aspect of potential impact. By the same token, this also does not exclude smaller municipalities should the projected service improvements be deemed high enough.

Initially, and until results could be quantified, no single factor disqualified any municipality from further consideration. Although it was considered likely that many of the largest municipalities were too advanced to receive full benefit from GAP reforms and many municipalities too small, the initial consideration was only that every municipality be reviewed and that an adequate sample of municipalities be available by region.

Data provided by municipalities were reviewed by both specialists and by the respective field offices. The initial sample was large enough that those who were least likely to benefit (i.e. where impact believed minimal) could be removed from consideration; a set of five criteria were therefore developed to help identify this short list. They are:

1. The municipality must be deemed to be of adequate size to absorb the full range of GAP assistance;
2. The current level of reform must be deemed to be not too advanced to take full benefit of GAP assistance (past assistance under GAP's predecessor project or similar disqualifies);
3. The municipality must own its own municipal building, so that any GAP-related investments can be sustained by the municipality;
4. A budget deficit, if any, must be manageable and there must be clear plans in place to balance the budget (important for both funding GAP-related investments and for capital improvement planning); and
5. No more than 8-9 municipalities can be selected per region due to GAP's administrative limitations.

On December 4, 2008, GAP provided a recommended short list of 33 municipalities to the JMC based for their review, modification and approval. That approval is pending at the time of this writing.

Following JMC approval, GAP staff (municipal coordinators and specialists) will conduct interviews and undertake assessments of municipalities on this list using a methodology very similar to that used in the selection of Cohort 2. Questionnaires have been prepared, and will be provided for JMC review before the process begins.

There are three broad criteria for selection of the final group for recommendation to the JMC. They are:

1. Motivation and the political will to reform

- a. The municipality must have the demonstrated political will and desire to take full advantage of GAP assistance and use it to improve services to citizens. This will is evidenced by past participation in donor programs (including as control municipalities under GAP), initiatives the municipality has undertaken without donor assistance, and interviews with municipal decision makers and community representatives where possible.

2. Capacity to absorb assistance:

- a. Budgetary discipline: The municipality must exercise sufficient control over its own revenues and expenditures so as to be able to fund the required cost share, implement capital projects and to apply GAP training to their budget process. Although a budget deficit has not in the past

disqualified a municipality from participation, its management is an indicator of budgetary discipline.

- b. Size: The municipality must be large enough to benefit from GAP assistance, yet not so large that the assistance is minimal. By this, the largest municipalities must be deemed to be able to fully benefit from core GAP assistance, and the smallest able to implement that assistance.
- c. Level of CSC development: Much of GAP's assistance is keyed to developing a CSC, to improve performance. If a municipality cannot develop a CSC, or has a fully functional CSC that meets GAP minimum standards, other municipalities may be a better choice.
- d. Budget development: Budget assistance is also important to GAP assistance, and some municipalities may be sufficiently advanced so as to reap minimal benefit from that assistance or may not be able to accept that assistance for other reasons.
- e. Organizational structure: Municipalities must have an organizational structure that would facilitate GAP assistance; it would be unreasonable to expect that a municipality could restructure quickly enough during the short period GAP provides core assistance.

3. Citizen participation and governance

- a. Public hearings: GAP's goal is to build democratic governance, and many of GAP's programs require strong citizen input. If there is no tradition of this in the municipality, it will be difficult to instill during the relatively short period GAP works with that municipality
- b. Role of MZs: Similar to public hearings, the role of communities in municipality operations is also important to democratic governance; those who work well with MZs are more likely to benefit from GAP assistance.
- c. Participation: Like public hearings, participatory planning is a central component and essential prerequisite to GAP assistance, but difficult to create rapidly where it does not exist.
- d. Cooperation and mentoring: To build broader reform in BiH, GAP is asking its partner municipalities to help mentor others; this criterion concerns willingness and ability to do so. Again, past participation in mentoring activities will be of value in making this determination.
- e. Political participation: GAP also is looking to empower municipalities to work to improve the legal and fiscal framework for decentralization, and expects its partner municipalities to take a lead role in that area.

It is proposed that a ratings system be used to weigh each of these three criteria (and sub-criteria) based on information obtained during the interview and assessment process. The requisite schedule will be developed and provided the JMC well before its application. Note that this process needs to be inherently subjective: attributes such as political will and motivation are difficult to quantify, meaning that this rating system should be interpreted with care. Using this rating system, GAP will provide final recommendation to the JMC

of three to four municipalities for each GAP region in January 2009, 15 in total. GAP's "official" launch of the new 15 municipalities will be held at a partners' meeting to be attended by all the newly designated GAP municipal partners as well as current partners, with assistance to begin by early April 2009. The detailed schedule, as required by the contract, is attached, following.