FIRST YEAR WORK PLAN
GOVERNANCE ACCOUNTABILITY PROJECT, PHASE II

FOR THE PERIOD 11 December 2007 TO 10 December 2008

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

FIRST YEAR WORK PLAN (December 11, 2007 – December 10, 2008)

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<tr>
<td>BiH</td>
<td>Bosnia and Herzegovina</td>
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<td>CDPC</td>
<td>Community Development Planning Committee</td>
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<td>CIP</td>
<td>Capital Improvement Plan</td>
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<td>CPF</td>
<td>Capital Projects Fund</td>
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<td>CoE</td>
<td>Council of Europe</td>
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<td>CSC</td>
<td>Citizen Service Center</td>
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<td>CSPC</td>
<td>Civil Society Promotion Centre</td>
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<tr>
<td>DfID</td>
<td>UK Department for International Development</td>
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<tr>
<td>EKN</td>
<td>Embassy of the Kingdom of the Netherlands in Bosnia-Herzegovina</td>
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<td>FBiH</td>
<td>Federation of Bosnia and Herzegovina</td>
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<tr>
<td>GAP</td>
<td>Governance Accountability Project, Phase II</td>
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<tr>
<td>GIS</td>
<td>Geographic Information System</td>
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<td>GTZ</td>
<td>Deutsche Gesellschaft für Technische Zusammenarbeit (a technical assistance agency of the Federal Republic of Germany)</td>
</tr>
<tr>
<td>HRIS</td>
<td>Human Resources Information System</td>
</tr>
<tr>
<td>IAB</td>
<td>Integrated Accounting and Budgeting [Software]</td>
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<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>JMC</td>
<td>Joint Management Committee (USAID, Sida, EKN)</td>
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<tr>
<td>KRA</td>
<td>Key Results Area</td>
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<tr>
<td>LAN</td>
<td>Local Area Network</td>
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<td>LED</td>
<td>Local Economic Development</td>
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<td>LI</td>
<td>Local Interventions</td>
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<td>LSG</td>
<td>Local Self-Government</td>
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<tr>
<td>MAP</td>
<td>Municipal Action Plan</td>
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<td>MC</td>
<td>Municipal Council</td>
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<tr>
<td>MCI</td>
<td>Municipal Capacity Index</td>
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<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
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<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
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### ABBREVIATIONS (continued)

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>OSCE</td>
<td>Organization for Security and Cooperation in Europe</td>
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<tr>
<td>OHR</td>
<td>Office of the High Representative</td>
</tr>
<tr>
<td>PMP</td>
<td>Performance Monitoring Plan</td>
</tr>
<tr>
<td>POI</td>
<td>Public Outreach Initiative</td>
</tr>
<tr>
<td>RS</td>
<td>Republic of Srpska</td>
</tr>
<tr>
<td>Sida</td>
<td>Swedish International Development Cooperation Agency</td>
</tr>
<tr>
<td>SIPU</td>
<td>Swedish Institute for Public Administration</td>
</tr>
<tr>
<td>SoW</td>
<td>Scope of Work (or Statement of Work)</td>
</tr>
<tr>
<td>SPIRA</td>
<td>Streamlining Permits and Inspection Regimes Activities</td>
</tr>
<tr>
<td>STTA</td>
<td>Short-Term Technical Assistance (or Short-Term Technical Advisor)</td>
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<tr>
<td>TA</td>
<td>Technical Assistance</td>
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<tr>
<td>UI</td>
<td>Urban Institute</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UPP</td>
<td>Urban Planning and Permitting</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>VNG</td>
<td>International Cooperation Agency of the Association of Netherlands Municipalities</td>
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<tr>
<td>WG</td>
<td>Working Group</td>
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</tbody>
</table>
EXECUTIVE SUMMARY: Introduction and Guiding Principles

This work plan represents the initiation 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. This first year work plan covers the period from that date until December 10, 2008. In addition, as this is the first work plan under the second phase of this project, additional detail is provided for activities scheduled in future years.

There are four guiding principles underlying this work plan. They are, first, to maintain the momentum of reform, both that developed under the first three years of the project (phase one) and the reform developed under 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 will build and expand. The startup stage of this program is therefore aggressive, with most broad activities already underway at the time of this writing and considerable work in progress with both legacy and new partner municipalities. To avoid a loss in momentum during the election season, activities have also been scheduled to prevent disruption due to election campaigns -- and in fact to take advantage of this activity in improving the dialogue within the public and media on local government issues. Finally, the 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.

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 and a means of collective advocacy through the municipal associations; a market for local government expertise through consultancy; and a constant evaluation of the effect of project activities from the perspective of sustainability. 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 and inclusion of non-GAP municipalities in project training and workshops where available.

The third guiding principle 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 therefore is designed to harness that knowledge as much as possible through providing ample opportunity for 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 in the first stage of this project provides the opportunity in this stage 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 though objective evaluation methodologies.

The final 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 and information sharing through networking. The principle of effective communication also includes communication within the municipality, both between the mayor, municipal council and municipal employees and between the municipal government and its citizens 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 signing memoranda of understanding between the associations 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. 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.

A draft of this work plan was presented to a meeting of the mayors and GAP coordinators of all 56 partner municipalities at a meeting in Sarajevo on 22 February 2008. A copy of the work plan summary and of the presentation is available from the project on request
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 phase of GAP for the first two, including lessons learned and a brief overview of what is new in this second phase of GAP. 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. Finally, separate sections are included on monitoring and evaluation, the performance monitoring plan, and the municipal capacity index.

Work Plan Layout

- **Section**: Local Intervention, Policy Intervention, or Cross-Cutting
- **Component**: Key results area under which activities are organized
- **Activity**: Set of actions aimed at a common outcome or result
  - **Objective**: Brief description of the activity goals
  - **Rationale**: Why the activity is being undertaken
  - **Actions**: How the activity is to be undertaken
  - **Counterparts**: With whom will we work
  - **Resources**: Inputs for the activity
  - **Impacts**: Outcomes or results of the activity
  - **Schedule**: When will the activity be implemented

**Figure 1**
GAP Results Framework

GAP Project Objectives

1: Improve the ability of municipalities to better serve their clients
2: Support a policy and fiscal framework conducive to democratic governance

Component 1: Local Interventions

KRA 1.1: Improve service delivery in legacy and new municipalities
KRA 1.2: Improve administration, budgeting and financial management in legacy and new municipalities
KRA 1.3: Increase the capacity of municipalities to administer capital improvement projects

Component 2: Policy

KRA 2.1: Strengthen intergovernmental communication and the capacity of municipalities to collectively advocate
KRA 2.2: Improve inter-municipal communication
KRA 2.3: Operationalize the Local Self-Governance Development Strategy

Cross-Cutting

KRA 3.1: Improve the environment and capacity for municipal borrowing
KRA 3.2: Develop a market for local government consulting services
KRA 3.3: Promote gender equity in municipal government

KRA: Key Results Area

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, and another fifteen new partners are to be selected early in 2009. Table 1, below, lists these municipalities by category. At the time of this writing and in the first year of the second phase of the project, GAP will therefore be working with 56 municipalities – 41 “legacy municipalities” and fifteen “new partners”. 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>
<thead>
<tr>
<th>Legacy Municipalities</th>
<th>New Municipalities</th>
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<tbody>
<tr>
<td>Banja Luka</td>
<td>Banovici</td>
</tr>
<tr>
<td>Bihać</td>
<td>Bosanski Petrovac</td>
</tr>
<tr>
<td>Bosansko Grahovo</td>
<td>Cazin</td>
</tr>
<tr>
<td>Breza</td>
<td>Citluk</td>
</tr>
<tr>
<td>Bugojno</td>
<td>Gračanica</td>
</tr>
<tr>
<td>Bužim</td>
<td>Ildja</td>
</tr>
<tr>
<td>Čelić</td>
<td>Ilijaš</td>
</tr>
<tr>
<td>Doboj-Istok</td>
<td>Kladanj</td>
</tr>
<tr>
<td>Drvar</td>
<td>Livno</td>
</tr>
<tr>
<td>Foča</td>
<td>Petrovo</td>
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<tr>
<td>Fojnica</td>
<td>Ribnik</td>
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<tr>
<td>Goražde</td>
<td>Šipovo</td>
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<tr>
<td>Gradačac</td>
<td>Široki Brijev</td>
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<td></td>
<td>Trnovo</td>
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<td>Visoko</td>
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GAP Municipalities by Status

Table 1

GAP provides material assistance (in-kind contributions and co-financing of capital fund project) and technical assistance (TA) to these partners, regulated through individual agreements - memoranda of understanding (MoUs) for all municipalities, municipal action plans (MAPs) for legacy municipalities, scopes of work (SoW) and hand-over certificates\(^1\). In-kind contribution in the form of centrally procured goods (hardware and software and other) will be used to support partner municipalities in improvement of

\(^1\) Certificate in which hand-over is acknowledged of the in-kind contribution i.e. hardware, software from GAP to municipalities
services to citizens and 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, CIP-monitoring software and similar assistance. Those twenty-two legacy municipalities who have adopted a full CIP process are identified in Table 1, above.

The development of CSC/UPCs will be 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 will see a reduction in the time and cost to obtain services and the services improved and more user-friendly. Printed guides will be 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 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 of the “Budget and Finance Guide for Municipalities in Bosnia and Herzegovina,” and technical assistance to ensure maximum collection of revenues. For legacy municipalities, a more specialized list of optional assistance will be prepared from which these municipalities may select, options including improved financial management and cost efficiency measurement, capital budgeting, process reengineering, and so forth.

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 the partner municipalities by cooperating with local government-citizens’ bodies, known as capital improvement plan coordination teams. Through this co-financing, municipal borrowing will be leveraged in support of development of municipal borrowing market, activities discussed in greater detail in both later in this section and in the section on cross-cutting activities.

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 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 describe 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.

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 the municipal representatives, while the
specialists also provide feedback from the project’s Local Interventions component to its policy component. Close connections will be maintained with Capital Projects team and public procurement specialist as well as with the Policy Interventions team in development and implementation of priorities.

**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. 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 coordinators, who facilitate GAP’s CIP program and monitor the implementation of co-financing arrangements. The administration of the hub offices is the responsibility of a project administrator.

**What’s New/Lessons Learned**

While GAP’s core assistance to partner municipalities in the first phase was aimed at bringing them to GAP standards by implementing a few pre-designed concepts like the Integrated Accounting and Budget System (IABS), Citizen Service Centers (CSC) and Urban Permit Centers (UPC), and Capital Improvement Planning (CIP), this second phase of GAP is taking a different approach for legacy municipalities based on partners' demand for further development of quality municipal services. GAP will strive to bring the new partner municipalities up to the level of the legacy municipalities by providing core assistance, as in the past, while GAP’s assistance to the legacy municipalities will be elevated to a new level, building upon the achievements from the previous phase in the areas identified as priorities by the municipalities and their constituents.

Under the first phase of GAP, there was a slower start to municipal interventions due to causes ranging from delayed deployment of certain key staff to slow and cumbersome procurement procedures. With all key staff now in place, equipped with accumulated practical knowledge from previous phase, and with assumptions that the developed and tested software packages from a known supplier will be used in this phase with no lengthy procurement procedure, this phase of GAP has already begun with a smooth start, and we anticipate timely delivery and satisfactory results.

With the lessons learned from the previous phase regarding the importance of applying the partnership principle in practice, we plan to involve relevant parties from all levels of government at early stages of reform to enable a direct exchange of views and open discussions about alternative solutions. We will apply this approach throughout the project, starting from the very beginning by involving the partner-mayors in preparation of key project documents including Memoranda of Understanding and this work plan itself.

Aware of the challenges of sustainability of Community Development Planning Committees, we plan to focus our assistance on the capital improvement fund process as a

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2 The hub offices are located in Sarajevo, Banja Luka, Mostar and Tuzla.
structured, durable and integrated part of municipal budget management, and a key vehicle for GAP’s co financing.

Municipal staff proved to be key agents for change and drivers for future reforms in the first phase of this project. Having recognized this, we will to the largest extent possible apply municipal staff’s knowledge during delivery of technical assistance in this phase through their direct engagement and peer mentoring, creating consequently a pool of talent that can develop into a network of experienced municipal consultants.

We also learned in the previous phase that improvements in urban permitting and planning are especially difficult to achieve, resistance to change is high initially, and the legal framework is ambiguous and full of gaps. Therefore, we are setting the timelines in this phase to more realistically reflect the need for a phased approach and are pursuing more interplay with and interdependence of other relevant projects in this field.

**Risks and Assumptions**

A key assumption in the following work plan is that the USAID procurement process will take no longer than six months. Many deadlines are set based on this assumption, especially in the area of CSC/UPC’s. Slower procurement could jeopardize a fast rollout of hardware and software solutions provided by GAP. In case of delays, timelines set for CSC/UPC’s will significantly change.

The end-2008 timelines for the CIP legacy municipalities to update capital investment plans and for other legacy municipalities to evolve from community development planning committees into a full-fledged CIP process are set with an assumption that the forthcoming elections will not unduly delay the decision-making process in municipalities.

There is a risk that due to the coming elections municipal representatives and mayors may shift priorities, and their availability for collaboration and support of joint efforts may become an issue. Contrary to what may be many mayors’ expectations - i.e. that all CSCs are implemented before the elections - GAP’s targeted deadline is that CSCs be fully operational for all new municipalities only by the beginning of 2009, although some will be opened earlier. GAP will start preparing mayors for this outcome, but it may have an effect on their commitment or increase pressure to reduce standards for faster completion.

Regarding improving accounting and budgeting management in the municipalities of Republika Srpska, the assumption is that in conjunction with RS Ministry of Finance we will define which contribution GAP may make to complement their efforts in implementing the treasury system. However, should the RS Ministry not prove cooperative, GAP’s ability to work with RS municipalities may be highly limited, given the RS government’s tendency of implementing the entity treasury system in a top-down approach, and GAP’s goals may be difficult to achieve more for political than for technical reasons.

Our assumption is that planning reform conducted by the USAID-SPIRA will be completed no later than end of 2008 so that municipal urban and spatial plans will be harmonized with regional (entity/cantonal) plans to enable implementation of the most advanced UPC (Model 3). It is also assumed that land administration reform (conducted by GTZ) will be implemented according to its timelines, i.e. operational cadastral database
and GPS reference by 2008, digital Orthophoto and digital land registry data by 2009 and
digitalized cadastre data by 2011.

Although at the time this writing GAP is not familiar with the financial condition of the
new partner municipalities, based on experience in the first phase we presume that many
if not most municipalities will be creditworthy and have the capacity to service a loan.
GAP therefore plans to invest a maximum effort, both in the local intervention and the
policy side, in the capital investment planning process in order to leverage municipal
borrowing to an amount exceeding the targeted US$23 million discussed later in this
document. There is an underlying assumption, however, that there will be an adequate
availability of commercial loans for municipalities, in part through related project efforts,
and that the banking system will remain on solid financial footing. However, although we
will work to connect bankers with municipal officials and educate both, ultimately GAP
cannot influence banks in their decisions to work with municipalities, nor can we assure
the financial well-being of the banking industry, nor the timing needed to assure results
for this project. Unanticipated delays in municipal borrowing may cause delays in the CIP
process and, consequently, delays in allocation of GAP’s capital investment fund, that
provoking dissent by partner municipalities.

The Municipal Action Plan (MAP) Process

The 41 legacy municipalities have made significant progress in improving customer
service, internal management, and financial management systems in the first phase of
GAP. In the second phase of GAP, we will work in a new way with these municipalities,
first to help them identify their own priorities and targets and then to help them achieve
those targets over the first three years of the project. This necessitates a tailored approach
to each legacy municipality. We will work with each municipality to identify a concise
three-year municipal action plan (MAP), which will specify partner municipalities’ top
priorities in financial management and service delivery improvement (as primarily
outlined in Subcomponents A-C), paired with concrete targets and schedules. Each MAP
will be based on municipal needs and own resources on the one hand, and project design
and resources on the other.

Based on initial discussions on generally priority areas for a MAP, GAP will produce a
broad “catalogue of services” from which municipalities may choose to create their
respective MAPs. To achieve legitimacy, broad input to and feedback on the MAPs will
be solicited from citizens and will be publicly debated and approved by municipal
councils.

The MAP process will be comprised of the following activities:

a. Signing Memoranda of Understanding (MoU) and creation of catalogue of services
and assistance on offer to legacy municipalities

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3 Note that the contract requires that GAP review the provision of assistance to Mostar with the JMC.
Mostar is nominally a legacy municipality but one that has received incomplete core assistance. The
JMC may choose to provide them core assistance in addition.
MoUs with the legacy municipalities will be amended to reflect changes in this phase of GAP, stipulating rights and obligations from both sides regarding the MAP process and core assistance.

For the legacy municipalities, we will present an initial list of GAP activities and services to the Mayors for comments and suggestions early in 2008. We will then incorporate their input into a final “catalogue of services” that will be offered to partner municipalities as guidelines for selection of municipal priorities to be addressed by their MAP. Such services may include enhancements to financial management and budgeting through program budgeting or the construction of a medium-term expenditure framework, process reengineering and efficiency measurement, environmental assessments and planning, local economic development, human resources management and reform, and so forth – potentially spanning the entire range of municipal service delivery.

b. Creation of a Municipal Action Plan (MAP) with each legacy municipality

The MAP process can help a municipality focus on concrete actions necessary for improvements in a priority management area. The MAP process involves setting up a MAP Working Group of municipal staff from key departments charged with receiving training on MAP development, implementation and monitoring; developing the MAP in consultation with community stakeholders where appropriate and assuring the public release of all information; monitoring the implementation of the action plan; and monitoring the achievement of the MAP outcomes over time. GAP will encourage the MAP Working Group to take an active role in disseminating the knowledge and skills of MAP development to additional staff in the municipality to ensure broad internal scale-out and sustainability as well as assisting in the development of a performance management culture within the municipality.

At the core of the MAP approach are performance indicators used to identify desired outcomes, set targets, and monitor progress toward those targets. Local governments use this performance information to allocate resources most effectively to improve services, to monitor progress made toward achieving their goals, and to report to the public on their progress, again increasing accountability along the way.

GAP staff will first present the concept of the MAP to the mayors and key staff of the legacy municipalities to enable them to understand the process, begin identifying the members of the core MAP Working Group, and identify other resources available for MAP definition/implementation.

In order to identify municipal priorities for the MAP, each working group will collect and assess recommendations from the municipal staff, Municipal Council/Assembly and citizens. Based on this assessment, the working group will propose the list of priorities that will be included in the MAP. Sub working groups for each priority area will be formed, and these working groups will be charged with developing the concrete outcomes, indicators and action plans for each priority area in the MAP.

Individual MAPs will be reviewed by GAP for alignment with the catalogue of services and availability of resources (technical and material).

c. Signing of Scope of Work (SoW) between GAP and legacy municipalities referencing MAPs

Assisted by GAP, the MAP Working Group will conduct a thorough needs assessment and an analysis of the existing capacities of the main stakeholders in order to design a
d. Provision of technical and material assistance to legacy municipalities

GAP will provide ongoing technical assistance throughout the development of the MAPs. It will utilize and adapt existing training modules for the task at hand, as well as identify additional technical support materials (e.g., manuals, toolkits, trainings) that should be developed and provided to the municipalities in support of MAP implementation. These materials will be prepared in a user-friendly “field guide” format that can be readily used by other GAP municipalities or non-GAP municipalities for self improvement in related topics. In addition, a list of consultants used by GAP will be available in the consultancy database.

GAP also recognizes the importance of helping municipalities develop an orientation toward and capacity for inter-municipal cooperation, especially when identifying services and infrastructure projects that carry potential for significant economies of scale. We will facilitate workshops and meetings to be held at a regional level that allow municipalities to share their MAPs and CIPs with their neighboring municipalities in order to identify joint projects that may benefit a larger population. An important feature of the MAP process is that municipalities learn how to monitor their own performance and achievement of intended outcomes. However, GAP staff will also monitor on a regular basis how well municipalities are doing with regard to MAP implementation through a formative evaluation designed to identify potential issues early on. GAP will also work with municipalities to promote their achievements in successful MAP topics and MAP completion, with of course appropriate recognition given to the donors.

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

**Resources:** GAP staff, local/regional and international STTA, handbook production and training costs, reform-enabling material assistance, co-financing by the beneficiaries (at least 10% co-financing consultants fee).

**Schedule:**

- **March/April 2008:** MoU with legacy municipalities signed incorporating the MAP process, Catalogue of Services developed; MAP process presented to municipalities; Municipal MAP Working groups (WGs) established; introductory training to MAP WGs on MAP process; finalize the adaptation of basic MAP training modules/handbooks.

- **By April/May 2008:** In consultation with community stakeholders through surveys, focus groups, or similar, the Municipal Council, and municipal staff, WG identifies priority service area(s) for improvement (from the “catalogue of services”) taking into account resource availability; sets up individual working groups for each MAP priority area.

- **By May/June 2008:** WGs conduct situational analysis on their respective service areas; identify outcomes the municipality wants to achieve, outputs/activities necessary to achieve these outcomes and
preliminary cost implications, and develops indicators to monitor and track progress.

By June 2008: WGs identify data collection methods for monitoring performance on MAP priority area indicators; collect data; establish baselines and set targets for improvement.

By July 2008: Municipal Council or Municipal Assembly publicly debates and approves MAP (milestone); GAP helps municipality conduct promotional campaigns for MAP.

July – Sept 2008: WGs 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.

Dec 2008: Signing SoW referencing the MAP (covering all activities), MAP implementations with monitoring and progress implementation

February 2009: Selection of new group of 15 municipalities

Oct 2009: MAP in first group of 15 new municipalities developed

Dec 2010: MAP in second group of 15 new municipalities developed

**Selection of the Second Group of Municipalities**

**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:** To avoid any appearance of political influence in this process, no activities relating to the selection of this second group of municipalities will occur until after the completion of the election cycle this fall, including any runoffs or recounts. This includes surveys, data gathering, official visits, open discussion of methodology – in short, anything that could be seen as favoring one municipality over another, or indicative of any potential selection outcome.

GAP will internally develop a set of options for the selection process to be presented to the JMC for review and approval immediately following the elections. We anticipate this process will begin with letters to all mayors of the municipalities in which they are invited to express their interest to be included in GAP, along with necessary data collection. Following approval of the methodology, GAP will undertake the necessary analysis and provide a list of recommendations to the JMC early in 2009.

GAP’s “official” launch held at a Partners’ Meeting on the attended by all the newly designated GAP Municipal Partners and assistance to begin by early April 2009.
Resources: GAP staff, local STTA

Schedule:

Oct 2008: Presentation of proposed methodology to the JMC; letters and sent to Mayors
Nov-Dec 2008: Data gathering, other selection procedures undertaken
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 will remain the core assistance for new partner municipalities in the second phase. However, 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 discussed above.

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 it takes 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. Waiting times for basic municipal services are long and procedures unclear and needlessly convoluted; this lack of transparency and inefficiency also provides opportunity for corruption and rent seeking by local officials. As a consequence, citizens can develop an aversion towards authority and a reluctance to contact the
municipality, becoming at best passive towards or at worst hostile to government. This not only frustrates the development of democratic institutions and functional decentralization, it also fosters tax evasion and the development of the grey economy, becoming an obstacle to both economic and social development.

**Approach:** Modern, transparent and efficient Citizen Service Centers (CSC) can result in a major breakthrough in improving citizen, or customer, satisfaction. Municipalities are the level of government closest to the people; manner in which they deliver administrative services affects citizens' perceptions of not only the municipality, but of the State and of democracy at large. Efficient, user-friendly, non-corrupt and smooth service delivery is a visible sign of democracy, crucial for transition societies. For these reasons, GAP (in phase one) made and (in phase two) will continue to make 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.

Tasks under this activity will continue to be implemented in several phases prescribed in GAP's CSC Manual and Manual for Improving Urban Permitting Procedures through Permit Centers ("UPC Manual"). These manuals and this approach incorporate the experience developed during the first phase of GAP. Simultaneous actions will be taken to the extent possible to gain momentum during the implementation phase.

**Phase One: Preparation.** This phase will begin immediately following the signing of the general MoU with the municipality, and is designed to set a foundation for smooth implementation. It consists of general preparatory activities, concluding with a Mayor's Decision on establishing a Citizens Service Center with Urban Permit Center, assigning a coordinator and appropriate staff to work with GAP (a CSC/UPC Working Group), informing all staff of upcoming activities, and establishing the location of the proposed center.

**Phase Two: Initial Assessments and Design.** In this phase, a thorough needs assessment will be conducted, providing basic information on the demand for services and present work flow including a review of internal administrative procedures and the current customer service environment. At the same time, the initial design of the new CSC, with appropriate module of UPC, will be developed. This phase concludes with a Scope of Work (SoW) agreement that precisely defines the budget, the center design, and division of responsibility between GAP and the municipality.

**Phase Three: Implementation.** This phase contains the bulk of the activity relating to the establishment of a center, and consists of four main task areas: construction, information and communication technologies (IT) setup, process improvement, and staffing and capacity building. This phase ends with the promotional campaign and opening of the new Center.

With respect to construction, GAP coordinates the two tendering procedures, the municipal tendering procedures following the law on public procurement, and GAP's own procurement following USAID regulations, working with the mayor and CSC/UPC Working Group.

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4 Described in more detail under Activity A.2: Planning and Permitting
In the second task area, IT, GAP will provide a software package that contains three modules: info desk, data processing, and document tracking. GAP intends to continue to use the software solution Docunova, Datanova and Infodesk, produced by ITINERIS of Tuzla, Bosnia and Herzegovina; this package was selected in an international open tender procedure in the previous phase of the project and proved reliable, efficient and reasonably priced. As needed, GAP will also provide partner municipalities with the necessary computer equipment to operate this software. In municipalities in which the Urban Permit Center Model 3 is implemented, the IT solution is more complex, with a separate document-tracking system using GIS solutions, a separate Urbanism Server and hardware configured to meet WEB GIS solution needs.

Training for municipal staff, the third task area, will be conducted at the regional/hub level and, ideally, before the opening of the CSC/UPC. To enhance communications between municipalities and networking, assist municipal staff in developing skills important for consultancy work, and highlight by example the effect of the CSC/UPCs on citizen satisfaction and process reform, GAP will use legacy municipality staff as guest speakers and trainers, presenting best practices and providing pragmatic examples of implementation.

The final task area, capacity building, is concerned with helping ensure sustainability and an improved climate for reform by building broad support from the community for the centers and accompanying process reforms and customer service outlook. In this task, an Advisory Board is established in each partner municipality, with membership consisting of community groups and organizations, the media, and the business community, to obtain community input into the center's work and into its future development. The Center's opening is an opportunity to gain much visibility; to facilitate an information campaign directed towards citizens via the local media, and promotional materials such as leaflets, brochures, posters, and so forth.

(Please note that in this schedule it is possible that a CSC may become operational before the UPC due to the increased complexity of the latter.)

Phase Four: Continuous Support / Improvement of the functionality of the CSC/UPC. The final phase will consist of continuous monitoring and improvement of the functioning of the CSC through regular performance audits (first after six months and then once a year) using indicators as discussed in the performance monitoring plan. In addition, in this phase GAP will also assist municipalities in developing their own performance measures and interpretation of those measures.

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;
- Rationalize processes to make them easier to understand and more transparent for citizens and businesses,

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5 Should the single-source procurement method be authorized by the contractor (USAID)

6 See USAID/Sida GAP’s “Manual for Improving Urban Permitting Procedures through Permit Centers”
• Improve efficiency of internal communications and processes; and
• Introduce a customer-service orientation throughout the departments of the municipality.

Indirectly, partner municipalities will have the ability and a motivation to constantly evaluate and improve business registration and permitting procedures and have contacts with external institutions involved in daily tasks. They will become more skilled in the usage of information technology and ready and able to train and present information on best practices to non-GAP municipalities.

Where some form of CSC/UPC has previously been established in partner municipalities, GAP will provide added value through additional technical assistance and by working with them to improve information flow and enhance service capacity. This is expected to lead to an increased percentage of citizens satisfied with municipal service delivery.

**Counterparts:** The Municipal Council, Mayor's representative, the 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:**

March 2008: Initial presentations to municipalities; Mayors decisions on CSC establishment; Establishment of the CSC/UPC Working Group

April 2008: Needs assessment

Apr 08 – Apr 2009: Info data collection

May 2008: Internal procedures mapping; Conceptual and construction design of the CSC/UPC

June 2008: Scope of Work discussed and signed

June-Sept 2008: Remodeling, procurement, process reengineering completed, first CSC/UPCs operational.

Aug 08 - Mar 2009: All software developed and installed; CSC staffing and training of municipal staff

Sept 08 - Jan 11: Loading of the data

April 2009: All third cohort CSC/UPCs opened, Establishment of the CSC Advisory Board; Raising community awareness of CSC

Ongoing: Performance audits; Promotion of good practices

February 2009: Fourth cohort municipalities selected

June 2010: Fourth cohort CSCs opened
Activity A.2: Urban Planning and Permitting

**Activity objectives:**
- Diminishing the time and procedures 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 /permitting procedures in line with internationally recognized standards
- Increasing local professionals’ capacity in new IT technologies (GIS) and planning techniques (zoning) and customer oriented services

**Rationale:** The permitting procedures in BiH are regulated by a complex and sometimes outdated or inconsistent set of laws and regulations. Such a regulatory framework is 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.

The lack of adopted spatial planning documents, their obsolescence, and inconsistent application of currently valid planning documents is another reason for the lengthy procedures and the mismanagement of land, causing poor quality construction in areas not planned for development, as standards of good quality and healthy living are not met.

One important deficiency in the current working process is the inaccessibility of information, the plans of agencies involved in spatial planning, utility enterprises, their mutual inconsistency and insufficient exchange of data between these two.

The limited powers of municipalities which, during the permitting process, have to obtain expertise and approvals from other agencies and institutions are also slowing down and delaying procedures. During the preparation for a construction project it is necessary to fulfill numerous conditions prescribed by existing laws and bylaws. Described disorder in the present municipal urban management practices originates in the prewar heritage and the failures of the reform process since then.

**Approach:** Technical and material assistance under this activity will be delivered in two subsequent parts or phases, as follows:

*Phase 1:* This phase includes promoting improvements in urban planning and permitting process within existing legislative framework, to the level of UPC Model 1 or UPC Model 2, which will mostly be implemented in new municipalities. It is anticipated to cover a three-year period.

The Model 1 is means applying a mainstream approach of improvements by streamlining and integrating permitting procedures in the CSC Document Tracking System and fits municipalities which have low and medium permitting frequency which includes:

- Personnel keeps the present positions and receives training on new models of planning and providing services to citizens;
• Basic information, brochures, guidelines and application forms are provided at Info Desk located in the CSC;
• Planning documentation is available in the CSC (when possible on the municipality’s Web site)
• Planning documentation available in digitalized or scanned form in the back office.
• Electronic data exchange (not graphical) enabled internally between all municipal departments participating in permitting processes through document tracking system
• Municipality has established system of improved partnership with crucial external actors participating in urban planning and permitting procedures.

UPC Model 2 is more advanced and will be applied in municipalities with higher volume of applications and greater complexity of duties related to planning and permitting and who have demonstrated adequate commitment to this process.

• Establishing an urban center within the CSC in order to have urban and land (cadastre) professional providing information and taking the applicants through permitting procedure;
• Planning documentation available digitalized or scanned in permit center within the CSC
• Simple administrative procedure conducted within the Permit Center (obtaining approvals ex officio, completing documentation, discontinuation of cases...).
• Enabled electronic data exchange (alphabetical and graphical) internally between relevant municipal departments and the UPC through a GIS server and Document Tracking System.
• Municipality has established system of improved partnership with accurate and timely data exchange system, with crucial external actors participating urban planning and permitting procedures.

New municipalities will be offered assistance on improving urban planning based on the Manual for Improving Urban Permitting Procedures through Urban Permit Centers (UPC).

Assistance to municipalities will be offered in several parallel segments: reengineering of internal and external administrative procedures, introducing zoning as new planning methodology, introducing GIS as urban land management technical tool and increasing service quality by establishing a one-stop-shop permit center. Given that GIS implementation needs a focus for being practically useful in reasonable time, the highest priority will be to use GIS for inventorying the portfolio of vacant land in the municipality, potentially the most valuable asset. We will utilize “know-how” from similar experiences in Serbia and Kyrgyzstan. This information on vacant land is critical for urban planning and in the release of land for development.

The approach of GAP in dealing with these problems is to introduce changes within the existing regulatory context that will indirectly promote changes in legislative and regulatory framework. For that purpose GAP will offer a number of workshops for
municipal officials, as well to the relevant ministries, external communal enterprises and urban institutes, in order to gain their interest. The project will offer pilot technical assistance, perhaps, selecting participating municipalities on the competitive basis. Guidance documents will be drafted and broadly distributed to all municipalities, on the subjects of new planning methodologies, modern (GIS) technology used in land management systems (with the emphasis on open source systems) and new approach to transparent public services in this area.

The above assistance will mainly focus on the new municipalities while GAP will assist legacy municipalities to increase level of their services in urban planning and permitting area, according to the MAP. Since legal reform in strategic/regulatory planning, land ownership and administration area have direct influence on the GAP urban planning/permitting reforming activities, GAP will collaborate closely with experts from other donor projects (SPIRA, GTZ, WORLD BANK, UNDP, UN HABITAT, EU, OSCE), in aim to synchronize and consolidate approach and share respective knowledge in common interest areas. GAP will train and assist professionals within municipalities, relevant ministries, urban institutes and other stakeholders relevant to planning permitting in preparing needed bylaws, guides, brochures, in interim period, to enable efficient and transparent planning and permitting processes, since reformed law are to get implemented.

In parallel, GAP will motivate and train municipality in conducting participatory planning and permitting mechanisms, to insure activating land market and sustainable urban development. GAP will monitor and assist legacy – Urban pilot” and co-pilot municipalities in extending of the already established Permit Center Model 3 concept from test area to municipal entire area and further development of WEB based GIS urbanism software in aim to enable interactive data exchange between all stakeholders relevant to planning and permitting process. The implementation will follow the basic GAP concept of the permit center, but will review previously employed GIS software, to make sure that the IT solution offered to Model 2 municipalities is sustainable in long term.

Finally, GAP will initiate development of an Urban GIS Management Project, in aim to digitize and standardized, to the extent reasonable, urban land inventorying, planning and permitting system. The practical focus and priority will be on inventorying and planning vacant land, along with clarifying the legal rights for these lands, as soon as the legal environment permits. For that purpose would be formed UGIS Working Group that may include Real Estate Specialist, IT Specialist, and STTAs, with an invitation to participate offered to professional representatives from UPC WGs, experts from SPIRA, GTZ, and other relevant projects.

An effort will be made to ensure these activities will be conducted in collaboration with other donor projects. Selected local professionals will be trained as trainers to promote GAP concept to the rest of BiH municipalities.

Subject to the promulgation of the new regulation on planning and permitting being passed in both, RS and FBiH entities, GAP will conduct series of training sessions to assist all partner and non-partner BiH municipalities in drafting needed bylaws and preparing implementable strategic and regulatory documentation. GAP will assist municipalities and relevant ministries in preparation of other related by-laws and guides to insure transparent, efficient, effective and sustainable planning and permitting procedures. This assistance will include among other:
• Assisting in preparation and conducting trainings of the urban institute's professionals (municipal, cantonal, entities) in modern planning. (potential consultants)

• Training of municipal and ministerial professionals in drafting of Guidelines for Zoning and its administration (potentials consultants)

• Integration of participatory planning concept, mechanism and tools from the early planning phase

• Help on inventorying vacant land and establishing and making operational a GIS related database for land management

• Collaborating with other donor's projects in assisting municipalities to tackle, to the extent feasible, urban development problems such as illegal construction, social housing, and informal settlements, funding preparation of urban development plans and infrastructure development. Training of local professionals as trainers by GAP experts in specific areas of expertise that may include land inventorying; land management, GIS, environmental issue of planning and permitting review process; zoning planning methodology, reengineering off permitting procedures in accordance with urban reform. The training subjects will be finalized according to demand from municipalities in respective consulting services. Trained professionals will be enabled to offer consultancy services to the GAP- and non-GAP municipalities.

Additional assistance will be provided to the GAP’s HUB municipalities: Banja Luka, Mostar, Novo Sarajevo and Tuzla, in aim to accelerate establishing of the active participatory planning and promote WEB interactive information exchange between municipality, external actors in planning/permitting procedures and citizens. At least three of the hub-municipalities will have established urban planning and permitting procedures based entirely on principles of e-government, to the end of GAP project.

Impact: Information on urban, construction and use permits will be easily accessible for all citizens; time and procedures for urban, construction, and use permits will be significantly reduced. Risks of corruption will be reduced; mechanism for permanent simplification of the procedures will be established; and simplified construction and use permit procedures will contribute positively to the local business environment. Land management and in particular allocation of vacant land will be based on factual data.

In particular, by establishing the center these improvements will be achieved: First, IT management will be improved by enabling reviewer's direct access to the permit center (GIS data base), predefined reviewing procedures for specific types of applications (through urban regulations and administrative procedures), in order to achieve consistency and promptness in permitting, defined principles of public announcements, all official documents scanned in order to have them easily accessed electronically, and on-line access to information and services enabled by means of links within permit center.

Capabilities to use new technologies will be improved. In particular, permit application and decision document tracking and interactive land information exchange system will be developed, Organization of work will be improved, time needed for application review reduced, existing staff expertise and professionalism expanded and quality of work improved through elevated standards and efficiency controls.
**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:**

March – May 2008: Mayors decisions on establishing of the UPC within, CSC Appointing of the Urbanism Working Group (UWG) Establishment of the UPC Advisory Board

June 2008: Needs assessment, process-mapping and introduction of the urban planning and permitting reengineering process

June 2008: Drafting conceptual, construction designs and implementation action plan for Scope of Work

July 2008: Signing of the Scope of Work, implementation begins

July - Dec 2008: Preparation and procurement of hardware and CAD/GIS software; developing approach to inventorying vacant land

July 08 - April 2009: Link to other institutions and government processes

Aug 08 - Mar 2009: Delivery and installation of hardware and software, software training; Reorganization of urban department

Sep 08 - March 2009: Digitalizing of existing spatial planning documentation (scanned or digitalized); Installation of CAD/GIS software to Model2 municipalities; training, preparation of information and publications

Sep 08 - April 2009: UPCs operational; Promotion of the UPC, monitoring and assessment of work commences

April 09 - ongoing Loading data into the urbanism server (continuous process)

Nov.08-Nov 09: Developing of the Model GIS for Urban Land Management Information System (ULMIS). Collaboration with other donor projects (i.e. GTZ, SPIRA, ETC)

November 09 Link to other institutions and government level processes - continuous process (Collaboration with other donor’s project)

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

It is generally held that the adoption of the annual budget is the most important task a government undertakes on a regular basis. A budget is far more than an accounting exercise: it is a statement of a government’s priorities and a means of implementation. How a government raises and spends revenues is a measure of its level of advancement.
Basic budgetary discipline is a prerequisite of good budgeting, discipline that assures budgets are balanced, adequate controls exist over expenditures, that expenditures and revenues are correctly reported, and that the budget process is transparent and that there is adequate and independent review and assurances of integrity. Once assured, a government can focus on improved resource allocation in accord with public priorities, or doing the right things, through program budgeting. Finally, a government can focus on assuring the effective and efficient use of resources -- doing things right -- through performance and outcome measurement, commonly called performance budgeting or budgeting for results.

Governments in BiH are at a relatively low level of budgetary development. At higher levels of government, they are often unable to maintain even basic budgetary discipline and, despite the introduction of program budgeting and longer term outlooks at the State and Entity level, still tend to budget based on expenditures, not based on a reasonable and independent revenue forecast. The unanticipated success of the new VAT (introduced in January 2006) in raising revenues both in level and rate of growth has prevented this practice from resulting in budget deficits but, given that this growth rate must slow, this has simply delayed the inevitable. Municipalities have outperformed higher levels of government in budget development, but may well suffer from problems at the State, Entity and, in the Federation, the canton level.

In addition to work in the policy area to help develop a legal framework conducive to increased local budgetary autonomy and revenue predictability, in the area of Local Interventions GAP will strengthen budgetary ability and local administration through four separate activities. One, to implement integrated accounting and budgeting software, to both enhance this 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. Second, to build upon work done in the first phase of GAP in developing budgeting reference materials for use by budgeting agencies through the development of simple budget guides for use by municipal councilors and the general public to improve understanding of the budget and budget process. Third, GAP will work with municipalities to maximize own-source revenues, reducing their reliance on potentially uncertain transfers and therefore improving budget predictability while allowing for service expansions. Fourth, although not directly tied to the budget process, GAP will also work to improve overall administrative management and service delivery, introducing the sort of performance measures and program identification necessary to begin evolution to a higher stage of budgeting at the municipal level.

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: As noted, although municipal budgeting in BiH is improving, there remains a need to improve budget development and execution, to meet new public sector accounting standards, raise and monitor the collection of local taxes, and to measure the true cost services. The first stage in so doing is to be able to obtain reliable, useful, and
timely information on budgets, revenues and expenditures. These improvements are particularly complex because the two entities, the Republika Srpska and the Federation of BiH, have their own legislation on budgeting and accounting procedures, with the latter entity practically having ten different cantonal finance regimes whose rules and practices differ in varying degrees from each other.

**Approach:** GAP will work towards realistic and accountable municipal budgeting, improved and transparent reporting on budget execution, and enhanced municipal debt and loan management capacities. Employing lessons learned in phase one of GAP and based on the demand by partner municipalities, we will continue installation of the 10-module IABS\(^7\) which has proven to be a fully functional, reliable and user-friendly software solution that enables municipalities to efficiently control both revenues and expenditures. Developed to respond to all requirements in the technical proposal, IABS consists of the following modules: General Ledger, Budgeting, Payroll/ Personnel (including a Human Resource Sub-module), Accounts Receivable, Accounts Payable (with vendors’ sub-ledger), Procurement / Purchase Orders, Fixed Asset Management, Cash Receipts, Small inventory, and Output Measurement (for applying costs).

IABS has been developed through a joint effort of GAP and the software provider, tailored to meet municipality needs. IABS will serve as an essential tool for key personnel in financial management processes and will introduce the following substantive improvements in daily operations:

- Recording financial transactions on daily basis, IABS will provide and generate reports that help decision making with regard to both revenues and expenditures.
- By generating and posting financial transactions from other modules to General Ledger, IABS will improve efficiency significantly, giving the municipal finance department more time for other important analyses.
- IABS will help in identifying all municipal revenue sources as well as in the process of revenue collection. Accurate reports can be provided that allow the management teams and MA/MCs to make decisions on revenues and collections with accurate and timely financial information.
- Budget planning activities will be based on timely and accurate information on revenue and expenditure collections and forecasts.

In legacy municipalities, we will have the ability to implement advanced features of IABS in order to assure even greater functionality and sustainability, should they request as part of their MAP.

Prior to IABS software implementation, we will ensure that necessary municipal staff training is successfully conducted. As in other training, we will use staff from legacy municipalities as possible to assist with information sharing and networking as well as their skill development. GAP will help new IABS users understand all of the benefits of using integrated software and its extensions. GAP will invite new partner-municipalities to join the IABS user group formed under the first phase and to encourage all

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\(^7\) GAP plans to continue using the software solution FINOVA by ITINERIS of Tuzla, Bosnia and Herzegovina which was selected in an international open tender procedure in the previous phase of the project and which has proven reliable, efficient and reasonably priced.
municipalities to have a proactive approach, to participate and transfer and share their best practices.

GAP will also closely monitor and actively participate in software improvements, customization or modifications to incorporate changes in legal requirements. We will work closely with the software provider (Itineris) in developing tools or interfaces for exchanging data across different development platforms (e.g. Oracle and Microsoft) as required. Finally, we anticipate an increased interest in multi-year financial forecasting in municipalities, both to improve their creditworthiness and debt service forecasting capacity and in reflection of the expansion of the Budget Framework Paper process in BiH⁸, a three-year budget and revenue forecast and programmatic expenditure allocation.

Closely related to the IABS will be our assistance to municipalities in the transition towards establishment of a municipal treasury system, taking into account the different situation in the two Entities. In the RS, the Ministry of Finance has sought to impose centralized treasury software in the municipalities; absent a change in this policy GAP will work to assisting municipalities in solutions to customize this software so as to make daily financial management as user friendly as possible and tailored to municipal needs. To do so, the Local Interventions team will work with the Policy team to coordinate with the RS MoF. This coordination between the Policy and LI team will also be important in the Federation to help design a legal framework and approach to establishment of a municipal treasury system at the Entity and canton level compatible with GAP-provided software and municipal capacity.

As GAP works to improve the capital budgeting capacity of municipalities, there will come a concomitant need to help integrate capital and operating budgets. GAP has developed MS Excel-based CIP software tools for partner municipalities. As reform under GAP evolves, there is likely to be integration needs including new revenues and revenue-generating departments that will be incorporated in IABS to allow posting transactions to the General Ledger module.

**Impact:** Target municipalities will have modern, formalized - and to the extent possible - uniform IABS in place and utilized to its fullest capacity.

Municipal finance offices will produce more transparent budget documents and will start recording each transaction using all prescribed budget classifications (organizational, economic, functional and fund) in accordance with the relevant budget laws.

Increased efficiency of work in the finance departments due to IABS will leave more time for important analysis and cost accounting to help provide realistic financial data for decision making.

Budget plans will be based on realistic revenue collections and accurate expenditure data and hence be more reliable and predictable.

IABS provided by GAP will be adaptable to function as municipal treasury software once legal requirements are in place, reducing errors and improving financial controls, reducing opportunities for theft and corruption.

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⁸ At the time of this writing, the BFP, a medium term expenditure framework, is required at the State level, both Entities, and the canton level in the Federation of BiH.
Municipalities will have a cost accounting module installed and will be able to begin using it to identification the program output costs for municipal services.

**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 production and training costs, other internationally sponsored donor projects

**Schedule:**
- April 2008: IABS presentation to targeted municipalities
- April - May 2008: Conduct IABS and IT needs assessment
- May - June 2008: Developing SoW for IABS to determine number of licenses, upgrades, hardware requirements, procedure, and so forth.
- Jun - Sept 2008: Procurement of hardware and software
- Sept 2008: Installation in targeted municipalities, training on IABS use
- Jan 2009 on: Monitoring of IABS use, maintenance and implementation
- Ongoing: Assist in process of improving revenue maximization reports
- Ongoing: Assist IABS vendor (Itineris) in developing software interfaces, enabling data exchange across different software platforms
- Ongoing: Assist municipalities in the period of transition towards establishment of municipal treasury system
- June 2009: IABS presentation to next group of targeted municipalities and needs assessment
- July – Sept. 2009: IT and IABS assessment for next group of municipalities
- March 2010: IABS implemented in next group of municipalities

**Activity B.2: Budget Guide for Municipal Councilors and Public**

**Activity objectives:**
- *To update the Budget and Financial Management Guide;* and
- *To develop a new simplified guide to better meets the needs of the Municipal Councils and the public*

**Rationale:** Transparent and responsive budgeting requires that all stakeholders have access to essential information on the budget and budget process. In its first phase, GAP provided all BiH municipalities a comprehensive, sixteen chapter, easy-to-use budget and financial management guide. This guide was written primarily to serve as a reference book for municipal management and municipal staff working in or with the finance
department. It has been distributed to all 143 municipalities in BiH and has become a valuable resource for municipal staff.

However, this technical manual was written for specialists, not lay users, meaning there is still a need for budgeting reference material tailored for municipal councilors, business, NGOs, and the general public. Not only is their understanding essential to responsive budgeting that better meets a community's priorities on an ongoing basis, forthcoming municipal elections will doubtlessly result in a turnover in council memberships and a concomitant need to educate newly elected councilors in this essential component of their responsibility.

Approach: This activity has two components, to first revise the current budget and financial guide to incorporate relevant new laws and, following, to develop a simpler guide that is more accessible by the public and other elected officials (the full guide will of course serve as a reference should more information be desired).

In producing or revising these guides, GAP will first review the existing budget guide to identify necessary updates and, as appropriate, revise the guide to reflect changes in the legal framework since its original production date. From this detailed guide, a new simplified version will be developed targeting municipal councilors and the general public. We will explore whether there are other donors willing to assist in this endeavor, much as OSCE participated in the development of the original guide. To institutionalize these guides, we will also work with the two municipal associations to transfer ownership of the guides to them and for their possible use in conducting regional seminars for newly elected municipal councilors, assisting them in both understanding their roles and improving their ability to communicate with constituents on budgetary issues.

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 for budget specialists in municipalities; and strengthening of municipal associations through their ability to add additional value to their members.

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, OSCE and/or other donors, printing of the budget guide and related material, workshops/training (in 2009)

Schedule:

June 2008: Explore possible cooperation with the two municipal associations
Sept 2008: Update of the relevant chapters to reflect changes in legal framework since its original production date
October 2008: Development of the new guide targeting municipal councillors and citizens
November 2008: Distribution of the guide across the country and presentation to the municipal associations
January 2009: Transfer of the ownership of the guide to the two municipal associations
March/April 2009: Assistance with the use of the budget guide begins in the new group of 15 municipalities selected in February, 2009

Activity B.3: Maximization of Municipal Own-Source Revenues

Activity objective:
- To significantly increase own source revenues in GAP partner municipalities.

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. These fee resources could be better utilized, 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 definitely significantly increase municipal own revenues.

Approach: To identify potential revenue sources and provide information on relative utilization, GAP will first develop a revenue profile for each municipality based on a cross-sectional analysis of municipal revenues. We will compare each municipality's revenue collections to other similar municipalities using budget data and identify areas of potentially underutilized revenue collections to provide baseline data for further actions.

Second, GAP will provide training and technical assistance to help municipalities develop their own revenue enhancement plans. We will walk 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.

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. We also will help to adopt practices reducing vacancies in municipally-owned property. Finally, we will provide assistance on reducing property-related expenses in order to maximize net income from rental properties.

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9 For example, for development and use of construction land, fees from the exploitation of natural resources (flooded areas, mines etc.), and rental of municipal property.

10 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).

**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:**

- **April 2008:** Collection of relevant laws that prescribe possible revenue sources
- **April 2008:** Collection of relevant council decisions that regulate collection of fees and local taxes
- **April 2008:** Collection of the Budget Execution Reports for 2007 and relevant cantonal regulations
- **May 2008:** Preparation of municipal revenue profiles
- **August 2008:** Assessment of the individual municipal own-revenue collection and generation techniques and capacities
- **December 2008:** Development of the tailor-made training module or guide for municipal councillors and staff
- **Thru Dec 2009:** On-site assistance in strengthening of the relevant internal procedures within municipalities, exchange of best practices and examples from advanced municipalities
- **June 2009:** Organization of best-practice exchange seminars, workshops and study visits to advance municipalities
- **Ongoing:** Monitoring of municipal own revenue collection based on quarterly/annual execution reports in order to take corrective actions in timely-manner.
- **May 2009:** Preparation of municipal revenue profiles for the new group of 15 municipalities, and subsequent assistance according to the above activity cycle.
Activity B.4: Improving Administrative Management in Key Departments

Activity Objective:
- Improve administrative management structure of key departments resulting in improved operations and budgetary efficiencies.

Rationale: The reform of municipal service delivery, the budget process, revenue administration and capital investment will require a reform of the underlying administrative management structure to succeed and be sustainable. Activities to be performed under other GAP objectives - namely process mapping and process reengineering - are also key tools for administrative improvement, rationalization and development of an efficient approach in municipal administration.

Approach: Unlike departments that provide services directly to the public, the customers for administrative departments are usually other departments, or other municipal employees. Consequently, measures of performance are different from those in line departments, as is their means of identification. GAP will therefore begin this activity by convening an internal management team in each municipality to, first, determine the priority areas for improved outcomes in administrative processes. Second, working with the management team, GAP will evaluate those priority areas and make recommendations for potential gains from process reengineering or other administrative efficiencies within the capacity of the municipality to implement (e.g. laws governing public employment may be outside of the jurisdiction of the municipality.)

After determining priority areas and establishing organizational results or outcomes desired, each remaining administrative procedure will be listed, analyzed and mapped. Based on this process mapping, an in-depth analysis and redesign of major administrative processes will be implemented including central processing, document management and client services. The process mapping will cover steps from service initiation to completion and determine the time, staff and number of departments or agencies involved in the process. If the mapping shows a potential for reducing the number of steps in a process or improving sequencing and tracking or other efficiencies, a new streamlined processes will be developed jointly with municipal staff and GAP, with the application of expertise from other local and international experts or other resources.

Successful examples of process reengineering will be available for application in other municipalities as a best practice, and incorporated in the agenda for regional workshops organized by GAP or others. These workshops can help introduce new concepts in areas such as human resource management, internal communications, customer orientation and procedural changes along with concrete examples reform in these areas.

It is anticipated that these activities will follow from the MAP process and will therefore be tailored to fit the demand from municipalities. Potential categories include organizational interventions and personnel rightsizing, organizational structure, selection and recruitment, human resources development, participative planning, community involvement and cooperation and the role of a leader (i.e. municipal manager or mayor). In addition to this specific analysis, mayors or leaders will also receive assistance in change management, addressing problems that result from organizational change and can limit its potential effectiveness.
**Impact:** Municipalities will improve the efficiencies of administrative practices, improving overall efficiency and the effectiveness of government reform. Municipalities will, as desired, be better able to manage their human resources and operating costs through right-sizing of staff and their organizational structure. In addition, improved processes and administrative efficiencies will bolster success in other reforms promoted by GAP.

**Counterparts:** The Municipal Council, mayor’s representative, working groups (CSC, UPC) as key participants in the planning and implementation of improvement of service delivery and internal management

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

**Schedule:** This activity will be synchronized with the other technical assistance, in particular CSC/urban, IABS and revenue maximization. Where tied to the MAP, it will follow the timetable for MAP processes.

**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. This section also details proposed work with municipalities to increase their ability to accessing other donor funds, with special attention given to EU pre-accession funds. Finally, this section explains how GAP will establish a peer mentoring program that is designed to grow into a sustainable process where stronger municipalities mentor weaker ones. In addition, this sub-component, more specifically activities C1 and C4, describe how GAP is planning to implement co-financing of the projects to be funded under the new Capital Projects Fund.

One potential risk to the implementation schedule that follows is delays due to the elections to be held this fall. It remains to be seen whether municipalities will be reluctant to incur debt in the run-up to municipal elections; if so, then those co-financing activities that require municipal borrowing may be delayed.

All activities described under this sub-component will be implemented by the GAP Capital Projects team in collaboration with the Local Interventions and Policy teams. The GAP Capital Projects team consists of four capital projects managers, one in each GAP hub office, the procurement specialist, capital projects accountant and capital projects director.

Although the grants component of the first GAP phase was successful in implementing advanced capital improvement planning methodology in a large number of partner municipalities, the Community Development Planning Committee (CDPC) bodies established in legacy municipalities were not as sustainable, considered by most
municipalities to be one-time activities despite ongoing capital improvement needs and the value of public input. Hence, GAP activities during the Phase two will concentrate on providing assistance for establishing sustainable CIP coordination teams, ensuring participatory and professional planning and implementation of capital improvement projects in all partner municipalities.

**What’s New/Lessons Learned**
Most municipalities did not have and still do not have the capacity to write project proposals and successfully seek outside funding without assistance. During phase two, then, GAP will provide capacity building training sessions to improve municipal capacity to plan, seek, organize and manage funds for capital projects. Establishment of the competitive set-aside fund for capital projects will further motivate municipalities to develop the skills necessary to compete for and access outside funding, such as EU pre-accession funding.

In this phase, municipalities will need to prepare more detailed project proposals to gain 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.

During the implementation of community development projects in phase one, it was noted that time-consuming project preparation and procurement procedures were responsible for most of the delays in implementation. As a consequence, during this phase more time will be designated for these activities and resultant delays anticipated and communicated in the implementation of capital improvement projects.

Finally, it should be noted that the processing of grant awards and the process of monitoring project implementation were very successful during phase one (out of 205 grants awarded, 204 were successfully implemented). As a result, GAP will continue to follow that process in phase two.

**Activity C.1: Capital Improvement Planning**

**Activity objective:**

- A substantial number of additional municipalities actively creating, implementing, and updating multi-year strategic capital improvement plans by the end of the project
- Ratio of capital outlays to operating expenses increased by an average of 10% by the end of year four \(^{11}\)

**Rationale:** For communities to budget sustainably and adequately plan for future needs, it is essential that they take into account necessary capital costs through a capital

\(^{11}\) As measured by analysis and comparison of annual municipal execution reports from year zero (2007) to year four (2011).
improvement plan (CIP). Such plans allow for coordination between the annual budget and capital budgets, allow capital projects to be evaluated and prioritized, and can provide an opportunity for public input into public investments.

Although a number of municipalities in BiH have made gains in capital improvement planning, progress outside of the current GAP municipalities has been very slow. Municipalities in BiH are under great pressure to improve their physical infrastructure, but lack the planning, 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, and execution of construction contracts to subsequent evaluations.

**Approach:** GAP has developed a complete CIP implementation methodology that consists of a CIP manual, a set of training modules, relevant spreadsheets, and IT tools to assist municipalities with the CIP process. The activity has been successfully implemented in 22 of 41 GAP legacy municipalities, and the methodology has proven to be very successful and popular among both municipal officials and general public. For heads of finance departments, the use of IT tools lessens their workload by data in a usable format in time for the annual budget plan adoption. Second, the methodology ensures citizen participation in the process and guarantees, to the extent possible, transparency of the capital investment planning process. Finally, municipalities that have followed GAP CIP methodology can demonstrate the transparency and planning necessary to attract interest from other donors to the extent that some have received additional donor funds as a consequence.

In 2008 GAP will work with the legacy municipalities that previously established Community Development Planning Committees (CDPC) and undertake an assessment of their capacity to progress further in capital improvement planning. Those municipalities that are found to be limited in capability or financial resources or who are unwilling to invest the resources necessary to implement the CIP process will be assisted in an abbreviated fashion through already established teams and/or new coordination teams to ensure a participatory process in assessing the needs and proposing projects for implementations. GAP will also, through its Local Intervention component, advise the municipality on addressing debt and solvency issues prior to entering any capital investments. Legacy municipalities that are assessed as good CIP candidates will follow the same full approach as the 22 legacy CIP municipalities in their development, as discussed below. (Legacy CIP municipalities are those who implemented the full CIP process in the first phase of the GAP project.)

In addition to these activities, GAP will continue monitoring the progress of the CIP legacy municipalities from phase one to ensure they remain current and continue to comply with the adopted methodology.

The following is the set of activities tailored for new CIP partner municipalities. Note that the list is not necessarily sequential, that some activities may occur at the same time.
a. Review of existing CIP materials and adaptation of these tools to municipal needs;
b. Assessment of the legacy non-CIP 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 b. through step f., will take approximately 6 months. In January of 2009, GAP will start working on these CIP activities with the Cohort 3 municipalities, when first assessments will take place. In January of 2010 the same procedure will be implemented for the Cohort 4 municipalities.

**Impact:** Former CDPC municipalities that demonstrated capacity and interest in becoming CIP municipalities are fully trained and have institutionalized the CIP methodology, resulting in adoption of a five-year CIP by the end of 2008\(^\text{12}\).

Old CIP municipalities have continued to update their five-year CIPs.

All new CIP municipalities have established and institutionalized five-year CIP plans by the end of 2010.

Ultimately, all CIP municipalities have significantly increased their capacities in project/grant proposal writing, environmental issues, and have better understanding of conditions and criterion 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:

Activities related to GAP1 non CIP municipalities (19 municipalities):

March – April 2008: Review of existing CIP materials and adaptation of the tools to municipal needs

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\(^{12}\) Assuming no negative impact on CIP Coordination Teams or capital improvement processes due to the October 2008 elections
April 2008: Internal training sessions on CIP
April – May 2008: Assessment of the legacy non-CIP municipalities
May 2008: Presentation of the CIP concept and methodology to newly selected CIP municipalities
June 2008: Institutionalization of the relevant formal procedures and rulebooks by municipalities;
June 2008: Mayor's orders on Application Form, Implementation team, Coordination team composition passed.
June 2008: Establishment, Training and Monitoring of the regular work of the CIP Coordination Teams
December 2008: Capacity building trainings

Activities related to GAP1 CIP municipalities (22 municipalities)
Ongoing: Assure compliance with the CIP monitoring charts and procedures described in CIP manual
Ongoing: Monitoring of the old CIP municipalities
November 2008: Capacity building trainings

Follow-on activities:
2009: GAP Cohort 3 municipalities; and
2010: GAP Cohort 4 municipalities.

The assessment of CDPC municipalities will commence in April and May of 2008. All the steps from the CIP calendar will be implemented from that point onwards in newly selected CIP legacy municipalities and will continue in old CIP legacy municipalities, resulting in CIP adoptions by December 2008.

Capacity building for the old CIP municipalities will be implemented after the elections in October 2008, as it is very possible that the membership of CIP Coordination Teams will change.

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 fundraising skills
- Capacity increased in application of BiH procurement law, proposal writing and project management in all CIP municipalities
**CIP municipalities trained and prepared to access EU pre-accession funding**

**Rationale:** The current internal capacity of municipalities to draft project proposals and write grant applications is very poor, as most do not have staff skilled and trained in that area. However, such expertise will be essential for success in obtaining EU pre-accession funds. Throughout the second phase of GAP, the Capital Projects Team will work on municipality capacity building in the areas of fundraising, proposal writing and project management.

Similarly, it is extremely important for attracting donor funding 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 population, and increase administration efficiency. As a result, GAP will also provide training to its partner municipalities in procurement.

By building capacity in these areas, local ownership and sustainability have a better chance of being established. Attracting funds for capital projects and conducting procurement in a transparent and systematic way will win municipalities trust from their citizens and increase the rate of citizens’ satisfaction with services provided them.

**Approach:** During the first and second quarter of the first year, the GAP team will work with municipalities and other counterparts in defining training modules in the areas of BiH procurement law, proposal writing and project management. Capacity-building trainings will be offered only to the CIP municipalities initially. It is our intention to first provide capacity-building trainings to the 22 CIP legacy municipalities. Following, these legacy municipalities will be actively engaged in the Peer Mentoring Program discussed below. After completion of the first set of trainings, the GAP team will conduct trainings for the next set of GAP legacy municipalities that are candidates to institutionalize the CIP process. Subsequently, trainings will be offered to GAP Cohort 3 and Cohort 4 CIP municipalities.

The GAP Capital Projects team will be responsible for conducting this activity. During the first year the following activities will be conducted:

a. Training modules defined;
b. STTAs and other resources identified;
c. Training modules developed; and
d. Trainings held in GAP CIP legacy municipalities from Cohort 1 and Cohort 2

**Impact:** Developed capacity building modules and training conducted in most GAP municipalities (in 22 municipalities during the first year; others added in years following). GAP municipalities demonstrate substantial improvements in procurement, proposal writing and project management and are actively mentoring other municipalities.

Municipalities are ready to apply for EU pre-accession funds.

**Counterparts:** Mayors, Municipal staff

**Resources:** GAP Capital Projects Team, Local, regional or international STTA as needed, training materials and workshops
**Schedule:** By the end of October 2008 training modules will be developed, STTAs hired as needed and trainings ready to commence in November 2008.

The initial set of 22 municipalities should conclude all capacity building training sessions by the end of 2008 and will be introduced and asked to participate in the Peer Mentoring Program, as described below. In January and February 2009, all legacy municipalities that have adopted CIP methodology will receive capacity building training.

New CIP municipalities from Cohort 3 and Cohort 4 will receive training in year 2 and year 3 of the project implementation; a detailed schedule will be provided in the year 2 work plan.

**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 profiles of its legacy municipalities, skills and capacities developed in various sectors in those municipalities have not always been effectively disseminated among them nor diffused to non-GAP municipalities.

Peer mentoring is an effective means of ensuring transfer of knowledge and skills among municipalities. It will foster general relationship building and take the 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 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 adequately conducted and will monitor its implementation.

These activities will be undertaken as follows:

a. Discuss with other donor organizations (OSCE, UNDP, and others) approaches to coordinate and identify possible areas of cooperation;

b. Work with the 22 CIP legacy municipalities to identify strengths where they could best offer knowledge transfer;
c. Motivate, guide, encourage and advise municipalities in developing training materials;
d. Implement peer mentoring process; and
e. Monitor and evaluate that process, making adjustments as needed.

**Impact:** A better sense of community, collegiality and cooperation among the GAP municipalities is created, while knowledge and skills are transferred from more advanced municipalities to the less developed ones. Spill-over affect among municipalities instituted.

**Counterparts:** Municipal staff

**Resources:** GAP Capital Projects Team, GAP specialists, resource materials and workshops

**Schedule:** The first mentoring event will take place in the second quarter of year 2; a more detailed schedule of activities will be provided in the year 2 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**

**Rationale:** Most municipalities at present do not have a means of ensuring a participatory planning process and implementation of capital projects. It is therefore not surprising that citizens are often dissatisfied with the capital projects undertaken by their municipality and by the community participation during the planning and decision-making processes.

To help introduce and sustain participatory planning and implementation of municipal capital projects, GAP will support the establishment of CIP coordination teams or, where not possible, similar bodies that incorporate participation by citizens, NGOs, various associations, business representatives and other stakeholders. With their assistance, GAP will implement the co-financing of capital projects determined to be community priorities through the 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.
**Approach:** As a first step, GAP will develop a Capital Projects’ Fund Manual that will explain the goals and objectives of the Capital Projects Fund program, including the guidelines and criteria based on which funds will be awarded to the municipalities. GAP will review and revise all forms used by the Grants (Capital Projects) Team during the first phase of GAP (i.e. financial management questionnaires, project proposal forms, reporting forms, etc.) and from them will develop new forms to be used during the lifetime of the project. Most forms will be included in the Manual itself. Municipalities will be asked to provide their feedback on relevant materials during the preparation of the Manual.

The Capital Projects’ Fund Manual will include the basic eligibility criteria and essential explanations. These criteria include the following:

- Projects must be implemented by a BiH-registered non-profit body or a local public authority/institution (the co-financing award will be to this body);
- Projects must ensure a minimum 50% in co-financing per project (GAP encourages co-financing to be through municipal borrowing);
- The minimum amount GAP will co-finance per project is $45,000;
- Each municipality would be eligible for $90,000 in co-financing through GAP for up to two separate projects;
- Projects must be implemented within ten months; and
- Projects must have long-term impact and be sustainable.

GAP will then work with municipalities to establish CIP coordination teams or similar bodies that will participate in the capital improvement project program. Members of the coordination teams will be nominated by the municipality, the business sector, civil society associations and citizens’ groups and approved by the Municipal Council, as with the existing CIP coordination teams and CDPCs.

Members representing a variety of sectors of municipal life will help ensure that all stakeholder needs are represented. CIP coordination teams or similar bodies will host participatory meetings where assembled applications for capital improvement projects are prioritized. To broaden the potential ideas for projects, the transparency of their selection, and public support for their implementation concerted efforts will be made to incorporate as much public input as reasonably possible through widespread media coverage and public input opportunities. These opportunities include community visioning festivals, roundtables, focus groups, and similar participatory activities.

Where opportunity exists, a community visioning festival will take place in partner municipalities during the media campaign, prior to the call for applications but after the application criteria are established. These festivals are a means of enabling citizens to express their ideas as to the ideal future of the community – the community vision – and, by so doing, help the municipality align its capital improvement planning with that vision. Their use is especially appropriate in places where there has been little participatory strategic planning, where public priorities are not well defined. The activities begin with a facilitated discussion on the vision, on key areas of improvement, followed by presentations by the CIP coordination team, a description of criteria for selecting the projects, available funds, CIP methodology, and so forth. Following, public input is taken to assist in prioritization of the projects.
Once priority projects are selected, those that fit GAP criteria will be submitted for financing. GAP will require municipalities to meet a basic level of co-funding for any capital project including, for this project, a substantial amount of outside financing to receive a match from the Capital Projects Fund (as noted below in the activity concerning municipal borrowing).

In order to receive assistance for capital projects, municipalities will prepare detailed project proposals following established guidelines that will be forwarded to GAP for JMC approval. Project proposals will include project goals, results, activities, and estimated budget. Following JMC approval, the Capital Projects Team will work on preparation of a formal Co-financing Agreement. Once these agreements are signed, municipalities will be trained in the reporting procedures necessary for successful implementation of the funds designed for capital projects. Municipalities will next 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.

As was the case in the first phase of GAP, municipalities will assume primary responsibility for the implementation of capital projects, with technical assistance provided by the GAP Capital Projects Team as needed (e.g. assistance with proposal writing, procurement procedures and reporting obligations).

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

a. Transparent project management methodology developed;
b. Grant forms reviewed and revised;
c. Capital Projects’ Fund Manual developed and approved by the JMC;
d. Municipalities given project procedures and contract management rules;
e. CIP coordination teams formed where not extant;
f. CIP coordination teams or similar bodies identify project selection criteria;
g. Public awareness campaigns conducted;
h. Application forms distributed and gathered in a timely fashion;
i. Scoring and ranking of application forms completed;
j. Priority projects identified;
k. Projects selected to be co-funded by GAP;
l. Environmental assessments performed for priority projects under Sida Sustainable Development Guidelines;
m. Project proposals checked for implementation feasibility (time, budget) and co-financing requirement;
n. Project proposals prepared and submitted to JMC for approval;
o. Financing awarded;
p. Municipalities informed of JMC decision;
q. Financing agreement prepared and signed;
r. Grant implementation reporting financial and programmatic trainings conducted;
s. Awards disbursed and project implementation monitoring begins.
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 though 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.

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 Capital Projects Team, GAP staff and administration, local, regional and international STTA, manual and workshops

Schedule: Capital Projects’ Fund Manual preparation will commence in February 2008 and be completed by the end of September 2008. All other activities related to co-financing capital projects will commence in 2009, with their deadlines determined in the second year work plan.

Activity C.5: Capital Projects Post Evaluation

Activity objective:

- Assessment of the results, successes, and impacts of the implementation of GAP capital improvement projects.

Rationale: A fundamental concern in projects selection and implementation is whether the benefits and results achieved will continue and be maintained by the community from their 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. It is also anticipated that GAP-funded projects during phase one suffered in many cases from the lack of involvement of CIP coordination teams and CDPCs in monitoring and evaluation and therefore did not create a good sense of project ownership; this may have a detrimental effect on sustainability.

Approach: The evaluation report will provide GAP and donors with an analysis of capital improvement projects’ activities and performances and will evaluate and measure the results achieved by their implementation, focusing on their sustainability. GAP staff will develop an outline of the information to be collected throughout a capital
improvement project’s implementation. In order to assess the impact of the implementation of these projects, indicators appropriate to the types of projects being implemented will be defined and measured. Data on physical and socio-economic results along with other indicators will be incorporated into a post-evaluation survey that will, upon the completion of a project, be distributed to municipality officials and municipality capital projects coordinators. To help develop their evaluative ability, municipalities will be involved in designing the outline and in conducting the evaluation itself.

**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 enabling them to understand how to conduct 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:** Post evaluation of capital improvement projects will be completed once all projects for the given cohort are implemented. However, preparatory activities for evaluation such as design and development of the draft questionnaires, identification of the possible variables to be measured and recorded, and tracking system established will be completed by June 2008.

**Activity C.6: Development of the Capital Projects Competitive Set-aside Fund**

**Activity objective:**

- Improve competitiveness among municipalities and motivate them to develop grant applications on their own

**Rationale:** BiH municipalities have had little experience in applying for grant funds or for any funds on a competitive basis. However, they will soon have that opportunity with the availability of EU pre-accession funds and will need to develop the skills to do so.

During year three of project implementation GAP will introduce a US$1 million set-aside fund to be disbursed using a competitive application process. Municipalities will use the skills gained during first two+ years of the project to compete for this additional funding; the earlier grant award process will assist with that skill development.

**Approach:** All GAP municipalities will be eligible for the competitive capital improvement projects financing program (with issues associated with the fourth cohort yet to be resolved). In accordance with the contract, this program will be funded with $1,010,000 plus other possible savings from the $6,400,000 general Capital Projects Fund discussed above. A minimum of 10 projects will be selected, each with a maximum GAP
co-financing participation of $101,000 and a minimum participation of $50,500. No more than one project may be funded from any one municipality (although there may be the possibility of joint projects between two or more municipalities). Selection procedures and specific timetable will be developed later in the project and submitted to the JMC for approval.

The process and requirements will be different from those in the first stage of GAP; the Capital Projects Team will work with the municipal coordination teams to train them in proposal writing and other procedures.

Only those municipalities who successfully completed a capital improvement project will be eligible for participation in the competition for this fund. Other than the providing this initial training in proposal writing and procedures, GAP will not provide detailed technical assistance in proposal preparation, but will rather serve as review board. Once the GAP review board reviews these project proposals and are satisfied with their quality, they will be submitted to the JMC for review and final approval.

**Impact:** Municipalities develop skills essential to competing for grant and co-financing funds, including EU pre-accession funds.

**Counterparts:** JMC, Mayors, municipalities, CIP coordination teams

**Resources:** GAP staff, materials and workshops, regional or international STTA with knowledge of EU pre-accession fund application process

**Schedule:** This activity will be fully developed and introduced during the third year of the project implementation.
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, 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 will work with all those stakeholders in order to help them increase their capacity to play their individual roles constructively and effectively and, in concert 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 will utilize the existing policy-making structures in associations at all stages of policy cycles, building our interactions around specific policy priorities.

Ideally, the two municipal associations will be the vehicle through which our counterparts further lobby for and support targeted policy goals. In this way, the associations will 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 Learned

Under the first phase of this project, GAP’s interactions with key stakeholders were shaped by a number of external circumstances such as the controversy over the introduction of VAT, the unfavorable position of entity governments towards initiatives to strengthen local governments legally and financially, attempts to politicize different aspects of the proposed technical solutions and dysfunctional organizational structures in municipal associations.

As an alternative to working on different legislative changes directly with government ministries, the first phase of GAP addressed specific policy issues through working
groups which included government, parliament and municipal representatives. Engaging different stakeholders at early stages of designing legal solutions provided the necessary sense of ownership and ensured solid political support during the process of adoption of legislation. As a lesson learned through that process, in this phase of GAP we will strive to achieve a similar sense of ownership by involving government and parliament representatives in early stages of the policy cycle and ensure greater interactions with municipal representatives. In order to ensure a certain degree of commitment and consistency, in the second phase we will formalize our interactions with the entity governments through signing of MoUs, and will support the ongoing effort of the FBiH association to sign a similar MoU with the Government. In the RS, we will try to support the association in operationalizing their existing MoU with the RS Government.

The personnel and organizational changes that took place in the FBiH municipal association after the last general assembly meeting meant that the first phase of GAP could rely more heavily on the newly created and very active association committees. The project thus directed the majority of its activities through the FBiH Association and jointly organized a series of successful workshops, trainings, roundtables and conferences. In the second phase, we will build on the existing successful cooperation by directing the majority of our activities through the association structures and try to use the associations as the vehicle through which our counterparts further lobby and support targeted policy goals.

Unfortunately, the initiatives did not enjoy a similar level of support in the RS Association in the first phase. The president of the RS Association repeatedly supported cooperation, but the project experienced difficulties and obstructions at the technical level. In the second phase, we will thus try to define the responsibilities and modes of cooperation between GAP and RS association through an MoU that we will propose at the very beginning of the project. We intend the MoU to be a first step in successful implementation of joint activities towards common policy objectives and overall strengthening and improvement of the capacity of the RS association.

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 thus 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.

Description of Component Two Activities

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

Introduction

It is a common saying that there is strength in numbers, and nowhere is that more true than in the area of advocacy. Democratic governments are designed to respond to their constituents, and as a rule the more constituents that are heard from the faster and more favorable the response. As a consequence, associations form in democratic societies both
to assist in advocacy and as peer groups for information sharing. InBiH, municipalities have formed collective associations, one in the RS and the other in the Federation for that reason.

This result, strengthening inter-governmental communication and the capacity of municipalities to collectively advocate, is supported by six separate activities: developing a list of policy priorities, defining and signing an MoU with these associations, institutionalizing a consultative process with the mayors, building advocacy skills of the associations, building policy analysis capabilities in associations and among government agencies, and institutionalizing inter-governmental cooperation. They are discussed in detail below.

**Activity A.1: Work with Municipal Associations and Mayors/Municipalities to Define an Initial List of Policy Priorities**

**Rationale:** In an environment where a number of issues which concern local governments remain unresolved, and without a clear guidance or reform agenda from the government, municipalities have not been able to place themselves at the core of the process of defining policy priorities. This is partly due to municipalities’ own lack of initiative and associations lack of capacity, but also due to governments’ lack of interest for local government issues.

**Approach:** As part of GAP’s contractual obligation to ensure that municipalities have genuine ownership of the GAP policy agenda, we will query municipalities and associations regarding policy priorities. In order to improve their position and place themselves as legitimate and credible counterparts to higher levels of government, municipalities will need to work collectively through the associations and impose themselves as important actors in designing government policies. Associations need to develop and improve further their internal structures and procedures, as well as increase their policy analysis capacity. GAP will assist Associations to determine whether their working bodies’ structure is adequately tailored to cover key policy areas, and whether they possess adequate capacities. We will help them develop clear procedures for collection of initiatives, their analysis, and defining the solutions and priorities.

**Impact:** A robust two-way communication between GAP and associations will be established. Associations, mayors and GAP will position themselves as equal partners, which will enhance joint efforts to take a lead in setting up the reform agenda. Mayors will have genuine ownership of the GAP policy agenda.

**Counterparts:** Municipal associations and all mayors.

**Resources:** GAP staff.

**Schedule:**

February 2008: By the end of the month, obtain and review list of policy priorities previously collected by municipal associations.
By the end of the month, work with associations to survey mayors for additional input regarding priority policy issues.

On February 22, at the GAP Mayors’ Conference, organize a policy discussion with all GAP mayors to further define and refine the list of policy priorities and objectives for the coming year.

**Activity A.2: Define and Sign Memoranda of Understanding with Municipal Associations**

**Rationale:** At present, there is not a clear mutual understanding of GAP’s role in working with the associations, which could be a source of possible misunderstanding and conflict in agendas. It is therefore necessary to formalize this relationship to ensure smooth cooperation in the future.

**Approach:** We will initially approach the entity municipal associations in order to clarify GAP’s role in working with municipal associations. We will initiate close cooperation in harmonizing mutual agenda and seek to clearly define and formalize GAP’s partnership with associations through discussion and exchange of information. Ultimately, we will strive to achieve a consensus about the best possible means to achieve our common goals and embody that consensus in a formal MoU between GAP and associations.

**Impact:** GAP and municipal associations will be positioned as partners and will be able to jointly promote and advocate the position of local governments on different policy issues.

**Counterparts:** Municipal associations.

**Resources:** GAP staff.

**Schedule:**
- March 2008: Draft MOU; review and negotiate with Association leadership and staff in both entities
- April 2008: Sign MOUs with both entity municipal Associations

**Activity A.3: Institutionalize Consultative Process to Engage Mayors in Setting the Advocacy Agenda**

**Activity Objective:**
- *To increase the effectiveness and relevance of advocacy efforts*
**Rationale:** Representation of the collective interests of local governments remains weak despite significant changes in the operation of both municipal associations. This is partly due to a lack of technical capacity and mechanisms to define policy priorities, but also to a lack of ownership of policy agenda, which is still mainly driven by international representatives. As a result, mayors lack trust in municipal associations and feel little ownership of the policy agenda.

**Approach:** GAP will work with municipal associations to improve their capacities to analyze, formulate and promote policy priorities. Effective municipal associations typically use general assembly meetings and annual conferences to review the previous year's lobbying progress and to air and refine a proposed advocacy agenda for the coming year. In advance of each association’s next general assembly meeting, GAP will work with association representatives to refine the process by which they seek input from mayors regarding policy priorities and help develop a means of prioritizing those items. A genuine sense of ownership by municipalities can only be created if their representatives are involved in every stage of policy analysis and design. We will thus encourage and support a demand-driven process of designing individual policy interventions through a research-based gathering of evidence that will serve as the basis of policy analysis inside association structures. In Year 1, GAP will work with Associations on each step towards building of a policy development and review cycle for the associations, with a clear calendar of activities to define reforms and policy priorities. In Year 2 of the project, this process will be repeated with a decreased involvement of GAP, and established as a regular annual process of drafting the Association policy agenda.

We will provide support and technical assistance to municipal associations to run a full policy cycle, from gathering data, analyzing it, to identifying priority policy areas and creating advocacy agendas. Areas of expertise of individual mayors and municipal staff will also be identified and mobilized for specific issues. That way, mayors will develop a stronger feeling of ownership of the process, thus strengthening their motivation to participate in advocacy campaigns and increasing the effectiveness of these campaigns.

The association committees, which are part of last years' organizational changes in FBiH association, proved to be a functional forum and vehicle for policy reform. Recently, the RS association formed additional committees, which can be used for the same purpose. GAP will continue to work with these committees in both associations, and will seek to establish sustainable communications and coordination with all stakeholders. GAP will thus institutionalize the process of policy research, analysis and design in municipal associations.

Where appropriate, and contingent to Associations' own efforts to mobilize the Coordination Body of entity Association, GAP will work with this mechanism in order to address policy priorities which concern reforms at state level.

**Impact:** Mayors will become an important part of 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:

May 2008: Present an annual policy development and review cycle for the associations, with a clear calendar of activities to define reforms and policy priorities, including the following steps:

Assist associations in data-gathering to determine policy priorities, querying municipalities through appropriate research methods regarding specific policies and provisions of law, current practices, and revenue collection and allocation. Present results of this query.

May - June 2008: Provide assistance to committees/boards of municipal associations and their professional staff in data analysis and definitions based on this query. Produce a written analysis.

June - July 2008: Using this analysis, work with association committees/boards to identify and formulate policy priorities and solutions. Present a list of policy priorities.

July 2008: Support the process of adoption of policy priorities and solutions within the association committees/boards and presidency. Facilitate meetings of the committees.

September 2008: Assist in the production of a draft policy agenda for municipal associations, committees and presidency as an overall plan for policy reform. Explore cooperation between associations in action on policy priorities at the State level through the Coordination Committee.

Oct. 2008 - on: Provide advice in the process of advocating and promoting the policy agenda, as described in more detail in the following activity (A.4).

Further steps:

2009 – 2012: Establish and repeat a regular annual policy development and review cycle for the associations, including a clear calendar of activities to define reforms and policy priorities.

Activity A.4: Build Advocacy Skills of Municipal Associations and Support Strategic Partnerships

Activity objective:

- To improve the effectiveness, relevance and sustainability of advocacy efforts

Rationale: Although both municipal associations currently possess limited advocacy agendas (a process that will be enhanced by the above activity), they continue to lack advocacy skills, which is the reason why many of their policy initiatives have failed in the past. This can be attributed to the absence of a dynamic and practical approach to steering and monitoring annual lobbying campaigns. Associations continue to operate in a reactive manner to major policy changes and fail to position themselves as credible and strong counterparts vis-à-vis higher levels of government.
**Approach:** This activity will be implemented in support of activities A.2. and A.3.: defining policy priorities and institutionalizing consultative process to engage mayors in setting the advocacy agenda. Ability to analyze and articulate relevant information and formulate and endorse important policies, supported by mayors' sense of ownership of policy agenda, will send a message that the associations are the legitimate voices of municipal governments. This will increase their relevance in interactions with higher levels of governments and will position mayors and associations as an integral part of the policy process.

GAP will utilize its knowledge and experience in order to help associations prepare lobbying strategies, with a specific approach to governments, parliaments, media, and other stakeholders, as well as enhancing their ability to develop strategic partnerships with other interest groups to promote a common agenda. Specifically, GAP will assist the municipal associations in reversing the process of consultation, which currently places the initiative on the side of government and ministries. By working closely with associations and municipalities on specific initiatives, we will increase their sophistication in advocacy by helping them mobilize mayors and assembly members to lobby ministries and parliamentarians, and by improving their capacity to review draft legislation and administrative rule-setting and participate effectively in working groups and policy dialogue.

We will mentor local policy analysts within the two associations and staff within government agencies to improve the use of surveys, data collection and analysis, and other methodologies including international comparisons to inform advocacy and improve the quality of dialogue on policy priorities. We will assist institutions to reach the level of capacity needed for sustainability of the process. Development of the expert data base (further elaborated in Section on Cross-cutting initiatives, Sub-section B. – Development of a Market for Consulting Services) will help them to identify and mobilize expertise they lack internally.

Considering that the FBiH Association has sent an initiative to the Government to either form a Ministry for LSG or establish an institute that would provide the necessary expertise, our assistance would be targeted to assist the key stakeholders in determining the most feasible of those solutions.

Our approach will focus on building the analytical capacity of relevant institutions, based on a realistic assessment of their needs.

**Impact:** Advocacy skills of municipal associations will be significantly improved and reform partnerships built. Mayors will be an important part of the policy making process, municipalities and associations will be empowered to effectively advocate collectively for necessary legislative and administrative changes.

**Counterparts:** Municipal associations, mayors, government and parliament representatives, international organizations, other professional associations.

**Resources:** GAP staff, local or international short-term experts, training, twinning activities.

**Schedule:**
May – ongoing: Work with municipal associations and government agencies to improve the tools (surveys, data collection, analysis) necessary for determining advocacy agenda as described in the previous activity A.3.

October - November 2008: Following the activities described in A.3. – setting up the policy agenda and determining policy priorities, assist municipal associations in designing a corresponding advocacy agenda and lobbying strategy, including:
- Identification of individual policy goals,
- Design of a corresponding advocacy strategy for each policy goal, and
- Assignment of responsibilities and timelines for implementation.

October - December 2008: Work closely with associations to help them mobilize mayors and assembly members to advocate for the adoption of specific measures. Facilitate meetings, conferences or workshops as appropriate. This activity runs in parallel to the above designing of the advocacy agenda, and goes beyond it because mayors will need to be engaged in advocacy throughout the process.

April - December 2008: Design tools and mechanisms for monitoring the legislative process and assist municipal association in their use. Those tools will be discussed between the Government and Associations and defined in an MoU. They are further elaborated on in activity A.5. and may include:
- regular announcements to the Association of the Government sessions and agenda;
- tracking of government documents and decisions;
- regular consultation with Associations on policy items that concern local governments; and
- formation of joint bodies to address specific policy priorities.

This activity is independent of the schedule of the previous activity, so it is scheduled to start immediately and be incorporated in the process of setting an advocacy agenda and determining when and how mayors need to be engaged.

May - July 2008: Identify stages of the government/parliament legislative process where advocacy and monitoring tools and skills can best be applied, to will help position municipal associations as an integral part of that process. This activity is independent of the schedule of the first two activities in this schedule. It is scheduled to start immediately and be incorporated in the process of setting an advocacy agenda and making the associations an integral part of the legislative process.
May 2008 – ongoing: Assist municipal associations in monitoring the legislative process and reviewing, legislation changes and promoting their proposals for policy changes as described in activity A.3: lobbying and advocating for the adoption of policy priorities as determined in the policy agenda. The schedule of the advocacy activities is sequenced with the schedule of the activities on setting up the policy agenda and determining policy priorities. The two schedules are designed to enable the two separate activities to complement each other.

Further steps:

2009 – 2011: Building on 2008 activities, continue to work with municipal associations in improving their advocacy skills.

**Activity A.5: Institutionalizing Inter-Governmental Cooperation**

**Activity objective:**
- To improve the effectiveness and relevance of advocacy efforts

**Rationale:** Two-way communication between municipalities and higher levels of government is still deficient and underdeveloped. Information exchange and mutual consultations between the local level and government and parliaments are scarce. Governments 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:** In the same way that our approach to policy ownership relates to municipalities, it relates to government and parliament representatives from all levels, all of whom need to be involved in early stages of policy design. GAP will assist municipal associations in reversing the process of consultation, which currently places the initiative on the side of government and ministries. We will provide municipal associations with practical tools for monitoring the legislative agenda and will enable them to assume a more proactive role. In practical terms, associations will be encouraged to establish regular channels of communication and information exchange with the drafters of legislation, including government and parliament as well as other donor projects, and will provide regular opportunities to jointly discuss proposed policies within associations’ committees and presidency. This will require more robust internal governance and management systems as well changes in existing practices in the associations. Certain changes in Government rulebooks and procedures may also be introduced, which make consultations with associations an integral part of the legislative process. GAP will assist associations in that regard, including designing the necessary communication and lobbying strategies.

Specifically, in order to foster stronger intergovernmental collaboration and cooperation in developing legislation at very outset of the project, GAP will assist the FBiH municipal association in securing an MoU with the FBiH government, similar to the one existing in
the RS. The MoU will serve the purpose of establishing clear communication procedures between stakeholders. Roles of associations in the legislative process will be precisely defined, giving municipalities the opportunity to review proposals in their early stages. Associations will have a clear role in identifying problems in implementation of different legislative solutions. We will encourage cooperation, still reserving the right of associations to lobby for their positions if consensus is not possible.

**Impact:** Municipalities will become an integral part of the policy making process through regular consultations and information sharing.

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

**Resources:** GAP staff

**Schedule:**

**FBiH Activities for 2008:**

May – Dec. 2008: Establish the Coordination Committee for Implementation of LSG Law in FBiH as described in activity C.1 to institutionalize cooperation between higher level government, local government, and municipal association on implementation of the Law. In the absence of another formal, legally or constitutionally defined mechanism for institutionalization of cooperation on implementation of the Law, this will be a permanent body, formed by a decision of the FBiH Ministry of Justice (or Government). Intergovernmental cooperation will thus be provided with a framework that will enable it to formulate coordinated guidance on implementation of the Law to all levels of government.

April - May 2008: Assist FBiH association in preparing the MoU on cooperation with the FBiH government.

May 2008: Assist FBiH association in the process of proposing the MoU to the FBiH government. Facilitate and organize meetings as necessary.

June 2008: Organize an official ceremony for the signing the MoU between the FBiH association and government.

July - ongoing: Implement regular and intermittent mechanisms for communication between municipal associations and the FBiH government, including a Code on Intergovernmental Cooperation.


December 2008: Propose the Code to the Government.

**RS Activities for 2008:**

May 2008: Meeting between the RS association and the RS government on ways to operationalize the existing MoU.
May - June 2008: Follow up to the meeting: define priorities and determine responsibilities. Identify specific examples of future cooperation and provide assistance as necessary.

May – June 2008: Following an agreement with the Government, establish formal communication about Government activities in order to the Association to be able to react to the issues that concern LGs.


July – August 2008: If the RS NA agrees to set up a Committee – GAP will assist in establishing a regular communication with the Association, ensure that regular consultations are held, that Association is invited to comment on Laws that concern LGs.

July – ongoing: Following establishment of the Committee, provide assistance in conducting analyses and organizing meetings or seminars as appropriate.

Further steps:

2009-2012: Establish a mechanism for periodic review and reevaluation of the MoUs and other aspects of intergovernmental cooperation to further institutionalize.

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, as they need to travel long distances in order to obtain key documents. Electronic sharing of vital records between local governments would enable citizens to have access to this information regardless of their current residence. In order to enable that access and thus lessen administrative burden on citizens and businesses, GAP will support legislation and technical solutions to allow for the sharing of vital records across municipalities.

This will be done through implementation of two broad activities described below: design of legislative framework to allow for electronic document processing, and development and implementation of solutions for vital records sharing.

Activity B.1: Design Legislative Framework to Allow for Electronic Document Processing

Activity objective:
- To lessen administrative burden for citizens

**Rationale:** Local governments have the closest communication with citizens and serve as the repository for many vital records and important documents. Considering that the storage of vital records is a new phenomenon, the existing legislation which dates before the war does not account for any aspect of electronic data processing. Without an improved legislative framework for e-document processing, municipalities will continue to operate in a legal vacuum.

**Approach:** Working with local counterparts, associations of cities and municipalities, mayors and relevant higher level government representatives, GAP will review and analyze legislative barriers and offer assistance in proposing changes to relevant legislation. By using the existing association structures/committees as described in activity C under KRA 2.1., GAP will provide assistance in identifying adequate legal solutions and introducing draft legislation.

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

**Counterparts:** RS and FBiH Associations of Cities and Municipalities, mayors from both entities, relevant ministries.

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

**Schedule:**

- **March 2008:** Request the list of municipalities from the RS Ministry for LSG in order to determine how many municipalities use electronic document processing for vital records.

- **April 2008:** Collect information through the municipal association on municipal electronic document processing in the FBiH.

- **May 2008:** Organize meetings with associations to present an analysis of the issues concerning electronic document processing.

- **June - July 2008:** Assist the association committees/boards to produce an analysis of the legal barriers to electronic document processing.

- **September 2008:** Work with the Association committees and mayors from the Association Presidency to address these legislative barriers and define legal solutions to e-document processing.

- **October 2008:** Provide draft legislative proposals to the municipal associations and communicate them to the relevant ministries.

- **October - Dec. 2008:** Promote changes to the governments/parliaments and assist with an advocacy strategy of the proponents, i.e. Associations. Organise meetings between the Association and government ministries and prepare presentations as necessary. Provide input about the importance of those changes and the effects they will have on the functioning of municipalities.
Further activities:

2009 - 2011 Work on the adoption of the proposed legislation, its implementation and potential expansion, and promote this new model of document processing.

Activity B.2: Develop and Implement Solutions for Vital Record Sharing

Activity objective:

- To lessen administrative burden for citizens and business

Rationale: Access to vital records is currently limited to issuance of relevant certificates only by repository authorities. This places significant burdens on business and citizens, particularly those who have been internally displaced. The existing legislative framework does not prohibit exchange of vital records, but neither does it provide clear legal guidance.

Approach: Parallel to implementing activity A under this KRA and by using the exiting association structures as well as utilizing the mechanisms of inter-governmental communication, GAP will work with municipalities and other relevant parties to conduct an analysis of the legal framework and possible technical solutions to enable the sharing of vital records.

There are a number of technical solutions which would be feasible under the existing legal framework, but may prove to be too complex. On the other hand, simpler technical solutions might require introduction of significant legislative changes, which could be politically more challenging.

Uniform software in municipalities is not a precondition for either approach, as long as there are high standards of data accuracy, updating of information, integrity and responsibility in manipulation and management of the data at the municipal level. From the aspect of meeting citizens’ needs, it is important that the proposed solution is citizen friendly, satisfactory and provides reliable service. GAP will thus assist relevant stakeholders in conducting a cost-benefit analysis of both approaches. Together with key stakeholders, GAP will also review and analyze relevant legislation and provide assistance identifying possible technical and legal solutions for vital record transfer as well as advice in the process of implementation.

Impact: inter-municipal communication will be improved enabling vital records sharing in order to lessen administrative burdens on citizens and businesses.

Counterparts: RS and FBiH Associations of Cities and Municipalities, Mayors from both entities, relevant ministries.

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

Schedule:
March 2008: Organize a meeting with the RS Ministry for LSG to discuss the possibilities for vital records sharing.

April - May 2008: Interview Citizen Identification and Protection System (CIPS) representatives, UNDP, individual municipalities, and relevant ministries at all levels in order to define the ongoing efforts in implementation of the BiH IT Strategy. Make an assessment of possibilities to utilize some of the existing legal and/or technical solutions from the Strategy into the solution of vital records sharing. Coordinate and harmonize activities with other projects and institutions.

June - July 2008: Produce an analysis of legislative barriers and define technical requirements necessary for vital records transfer.

Sept. - Dec. 2008: Work with relevant stakeholders (Associations, relevant ministries and institutions, e.g. CIPS, and other international projects) in identifying possible technical and legal solutions for vital record transfer.

December 2008: Agree on the proposed technical and/or legal solutions within the municipal associations and with other relevant stakeholders.

Further steps:

2009 - 2010: Facilitate the process of promoting and creating the support for proposed solutions

2010 – 2012: Facilitate the process of implementation of solution which will enable vital record transfers
Sub-Component C: Policy Initiatives to Operationalize the Local Self-Governance Development Strategy (KRA 2.3)

Introduction

The preceding two sub-components have been concerned with increasing the capacity of local governments to identify and coalesce around policy priorities, to successfully advocate in support of those priorities, to communicate with one another, with their citizenry and with higher levels of government in support of these policy priorities, and to develop the institutions to do so sustainably, notably the municipal associations. In contrast, this sub-component is concerned with the specific policy initiatives themselves - those already identified -- and GAP activities directly targeted towards their resolution. It is therefore complementary to the activities listed in the preceding sub-components as well as to the overall mission of the GAP project.

Studies of governmental structure in BiH, including the 2006 Local Self-Governance Strategy and analyses by donors such as UNDP and the World Bank, have identified a number of obstacles to the further development of accountable, democratic local governance as well as potential opportunities for further progress towards this goal. These obstacles include, first, an absence of clear and consistent functional assignments, especially in the Federation, with consequent overlapping or piecemeal service provision under unclear authority; second, uncertain and often inadequate revenue assignment to municipalities, with limited authority to mobilize own-source revenues and resultant general underfunding and horizontal disparities in fiscal capacity; third, (and despite successes under the first phase of this project) inadequate intergovernmental transfers directed at meliorating these horizontal disparities in fiscal capacity and, as a consequence, real differences in the financial ability of local governments to provide services limiting the opportunity for future decentralization; and fourth, (and partially addressed below under cross-cutting initiatives and above under municipal interventions) inadequate resources to improve (or in some cases even maintain) local infrastructure through borrowing or other significant sources of investment capital.

These challenges are also accompanied by opportunities. In BiH, as in most nations, municipalities are the level of government closest to the people. That, along with the direct election of mayors and direct service improvements in recent years, has directly increased public support for municipalities, a fact corroborated by attitudinal surveys conducted under this project. There is therefore an opportunity for municipalities to build strong public support for reform, to effectively drive further progress in functional and fiscal decentralization.

The following sections prioritize both these obstacles and opportunities from the perspective of the establishment of democratic governance and develop an approach towards their resolution or exploitation leveraging the resources of the GAP project to the greatest extent possible. GAP’s core competencies include, one, a strong analytical capacity combined with extensive knowledge of applied concepts in governance in BiH, or how policies function in practice as well as on paper; two, solid working relationships with governments at every level, with all donor agencies and with civil society; three, an awareness of the political landscape and an appreciation for both challenges and opportunities therein, including those arising this year as a consequence of municipal elections; four, through close connections with partner municipalities and the municipal
associations, an ability to marshal strong local government support and, indirectly, public support for needed reform. Many of these competencies have been elaborated upon in the preceding sections.

At the outset, it must be noted that uncertainty in the underlying political environment will always result in uncertainty as to the timing and prospects for success of individual efforts directed towards these obstacles or opportunities. However, such political vicissitudes need not unduly restrict efforts towards their resolution or exploitation. Prospects for the success of any reform (or prevention of any setbacks) are always enhanced by the quality of underlying research and analysis, understanding and identification of obstacles and opportunities, coalition development and expansion of ownership, legislative drafting and strategy development -- or, as the saying goes, fortune favors the prepared mind. These issues, discussed in general above and more specifically in the following, will not simply evaporate; if not addressed in 2008, they will need to be addressed in 2009, or 2010, or soon thereafter. Efforts made now toward their eventual resolution will therefore not be wasted. Further, opportunities and threats are likely to develop rapidly, perhaps with little advanced warning; prior planning and the availability of "off the shelf" supporting materials and strategy can greatly enhance prospects for success.

Prioritizing and operationalizing the Local Self-Governance Strategy will be done through a two-pronged approach:

1. Implementing existing legislation that furthers accountable governance and improving ministerial capacity to implement those reforms; and

2. Supporting and promoting policy goals identified through the demand-driven process described in Sub-component A that yield tangible results.

In the first year, this approach will be applied through three specific activities described in the following. The first activity, on local self governance legislation is directed at increasing and clarifying functional decentralization in the Federation BiH. A similar process will be initiated in the RS in the following year, in agreement with the municipal Association and government representatives. It will follow from activities in this year, which will focus on operationalizing the cooperation between the RS Association and Government as described in activity A.5. The second activity on property ownership is directed at creating a legally enabling environment for municipal property management. The final activity, on revenue allocation is directed at reforms in revenue assignment and in intergovernmental transfers.

**Activity C.1: Develop an Action Plan for Implementation of Local Self-Governance Law in the Federation of BiH**

*Activity objective:*

- **To further functional decentralization in FBiH**

*Rationale:* Increased functional decentralization requires reform of the underlying legal and administrative framework. In FBiH, that framework is largely set out in the Law on
Principles of Local Self-Governance, which gives broad authority to municipalities on “all issues of local interest” and clarifies competencies between cantons and municipalities. According to final provisions of the Law, cantonal (and other) legislation needs to be harmonized with this Law. However, due to the fractured system of government in FBiH, implementation of this law has proven to be excessively complex, clearly demonstrating numerous deficiencies in that system. The necessary harmonization of federation and cantonal legislation has not occurred. This failure to implement the law has forestalled further progress in clarification of responsibility and authority among levels of government.

**Approach:** The first phase of GAP addressed implementation of the FBiH Law on Principles of Local Self-Governance through the following activities:
- Publication of a “Guidebook for implementation of the FBiH Law on Principles of Local Self-Governance” (providing detailed interpretation and explanation of provisions of the Law, with guidelines on practical aspects),
- Production of two draft templates of cantonal laws on local self-governance and their promotion, and
- Production of a list of sectoral laws that need to be harmonized with the FBiH LSG Law.

In the second phase of the project, GAP will build up on the previous efforts by using the two draft templates of cantonal LSG laws and existing list of sectoral legislation to produce an action plan for the implementation of the LSG Law in FBiH. This will be done through a Coordination Committee for Implementation of the LSG Law (as foreseen in conclusions of the July 2007 GAP conference on implementation of the LSG Law). The Coordination Committee will help higher levels of government, mayors and municipal officials, parliament, and international organizations to jointly address further implementation of this law.

We will utilize this Coordination Committee to develop the participatory dialogue needed to develop concrete reform proposals. Many stakeholders will have a place at the table, with representatives of entity, cantonal and municipal level governments, members of parliament, local experts, and representatives of civil society. We also anticipate that the municipal associations will be key members of the Committee, and as appropriate may play a leading role in convening the meetings and establishing the agendas as well as in contribution to these discussions.

The Committee’s agenda will assign specific policy issues sequentially and utilizing a fact-based process underpinned by an action plan prepared by GAP staff. The action plan will clearly outline the issues and present a series of options to be considered in order to arrive at a final policy. The aim of an action plan is to frame the debate over next steps toward greater functional and fiscal decentralization in FBiH. It will be developed through a process comprising the following steps:

It will be developed through a process comprising the following steps:

1. Assembling list of legislation that requires harmonization with LSG Law.

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a. Updating an existing list of legislation developed in the first phase of the project; and
b. Collecting further information about cantonal legislation from GAP partner municipalities.

2. Grouping individual pieces of legislation according to the field they regulate.

3. Analysis of individual legislative fields in order to define a list of priorities:
   a. Interviews with mayors;
   b. Focus groups with municipal staff working in each field – through Association Committees;
   c. Meetings with donors projects to identify ongoing reforms efforts; and
   d. Meetings with government representatives.

4. Development of a list of priorities.

5. Development of an action plan including a list of priorities, benchmarks, and timelines.

We will seek to structure the dialogue in the Committee for Implementation of the LSG Law around concrete priorities outlined by the action plan. Following adoption of the action plan, in subsequent project years, GAP will assist the committee in:

1. Identification of legislative improvements and priorities;
2. Drafting of legislation together with entity ministries;
3. (If adopted) Assistance with implementing the legislation and rules which further accountable governance.

If structured as a participatory dialogue, this process can be an extremely effective means of building consensus on key policy issues. Our experience has shown this to be the most reliable vehicle for ensuring that stakeholder interests (and experience in the realities at the local level) are taken into account, and thus ensuring that the reforms are workable. The key point is not the working group itself but the functioning of the policy dialogue process, based on real data and evidence-based research.

**Impact:** The objectives of the Law on LSG in functional decentralization will be better realized, and the policy framework will be improved and implemented. As a result, there will be increased local autonomy in decision making and clearer distinction of responsibilities and functions. Municipal associations will continue to develop as an important and recognized stakeholder in the policy making process.

**Counterparts:** FBiH Municipal Association, Federal Parliament, Federal Government, Council of Europe, OSCE and other international stakeholders.

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

**Schedule:**
May 2008: Coordinating Committee established
Apr – May 2008: Research to assemble legislation that requires harmonization with LSG Law.
May 2008: Grouping individual pieces of legislation according to the field they regulate.
May – Jun 2008: Analysis of individual legislative fields in order to define a list of priorities, including cantonal laws on local self-governance.
July 2008: Development of a list of priorities. Providing guidance to cantonal governments on harmonization of cantonal LSG laws.
September 2008: Development of an action plan including a list of priorities, benchmarks, and timelines.
November 2008: Adoption of the action plan by the Committee.
December 2008: Formation of working groups according to the activities defined in the action plan

Follow-on activities:
January 2009: Producing SoWs for individual working groups, identification of needs for expertise and support available.
Feb. 2009 – ongoing: Support to working groups.
May 2009 – ongoing: Legislative drafting in working groups.
November 2009: Presentation of final proposals.

Activity C.2: Clarify Ownership and Control of Municipal Property

Activity objective:
• To improve municipal finances and planning capacity

Rationale: Proceeds from the sale or rental of municipally-owned property can be a potentially significant source of own-source revenue. However, the status of that property largely remains unresolved. Titles are often divided between multiple owners, and its status cannot be clarified due to a lack of the necessary legal framework. As a consequence, municipalities often do not have the right to manage property as its sole owner and cannot sell or rent this property (or use it as collateral for borrowing).

Approach: The legal framework for property rights reform will be created through the adoption of the Law on Real Property Rights, which will complete the process of transformation of ownership in BiH and establish the principles of uniformity of property and its legal unity.
In the first phase of the project, GAP mobilized municipalities throughout the country in order to produce comments to draft Laws. Municipal comments on pre-draft Law on Real Property Rights were collected in two documents produced by GAP (based on workshops and written comments received subsequently from municipalities) were sent by Municipal associations to the entity Ministries of Justice. Those documents were then discussed and reviewed by the GTZ Working group for development of the draft Law in a session on 1\textsuperscript{st} November 2006. A considerable number of comments were accepted and relevant provisions of the Law amended.

In the second phase of the project, GAP will continue the previous efforts to support municipalities in clarification of property rights by promoting adoption of the Law on Real Property Rights. When adopted, the Law will define municipalities as sole owners of their property and will provide a sound basis for creation of conditions for more equitable disposition of municipal property. Further, by making municipalities the sole owners of their property, the Real Rights Laws will also require changes in the system of collection of revenue from the use of that property.

In close cooperation with the municipal associations and GTZ (which has the potential to leverage additional funding for this purpose) GAP will continue to support adoption of the Real Rights Law and its full implementation, with a focus on its impact on local governments.

Entity governments included draft Laws on Real Property Rights in their agenda for 2008. According to the annual program of the FBiH Ministry of Justice draft Law will be sent to Parliament in October 2008. The RS Government adopted draft Law on October 2007 and planned to organize public hearings. The Law is planned be addressed by the RS National Assembly in mid 2008. GAP schedule outlined below is drafted to match the agenda of entity Governments.

Prior to the Law on Real Property Rights entering the parliamentary procedure in both entities, GAP will conduct an analysis and produce a report for each entity on disposition of municipal property. These reports will provide arguments and tangible policy goals in support of adoption of the Real Rights Law, identify other problematic areas which can be addressed through the Real Rights Laws, and identify other legal obstacles and provide guidelines to shape future reform of municipal property, reforms outside of the Real Rights Laws.

The reports will cover the following areas:

1. Property rights and legal framework:
   a. Changes and effects introduced by the Real Rights Law;
   b. Law on Expropriation;
   c. RS Law on Transfer of Property to Local Governments; and
   d. Law on provisional ban to dispose with state property, etc.

2. Management, disposition and use of property;
   a. Law on Construction Land;
   b. Law on Concessions;
   c. Law on Forests; and
   d. Law on Waters, etc.

3. Financial aspects of property management:
a. Collection of data on revenue collection from property use and management;
b. Collection of data on distribution of revenue from property use between levels of government; and
c. Financial and comparative analyses.

The report will also include research on existing practices. Input for the analysis will be gathered through a set of steps, further described in the schedule below.

**Impact:** Municipalities will be able to increase own-source revenues as well as better plan for orderly development. 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/regional and international STTA, training, workshops, working groups, study tours (only as deemed optimal for skill transfer), local subcontractors.

**Schedule:**

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
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<tbody>
<tr>
<td>Apr – May 2008</td>
<td>Collection of relevant laws.</td>
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<tr>
<td>May – June 2008</td>
<td>Legal analysis of the framework regulating property rights.</td>
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<tr>
<td>July 2008</td>
<td>Assessment of the needs for significant transfers of responsibility over management and use of property in future to be introduced by the Real Rights Law.</td>
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<tr>
<td>Apr – July 2008</td>
<td>Gathering and analysis of data from municipalities, cantons and entities on collection and allocation of revenue from property use.</td>
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<tr>
<td>July – Aug 2008</td>
<td>Querying municipalities about specific provisions of property laws, existing practices, revenue collection and allocation.</td>
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<tr>
<td>September 2008</td>
<td>Identifying tangible policy goals regarding the equitable disposition of municipal property.</td>
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<tr>
<td>October 2008</td>
<td>Producing a draft report.</td>
</tr>
<tr>
<td>November 2008</td>
<td>Further discussion and refinement of the report through municipal associations’ working committees/boards and subsequently with governments and international stakeholders.</td>
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<tr>
<td>End Nov. 2008</td>
<td>Adoption of the Report by presidencies of municipal associations.</td>
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<tr>
<td>November 2008</td>
<td>Work with municipal associations and GTZ on promoting adoption of the draft Law on Real Rights in line with report recommendations.</td>
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<tr>
<td>November 2008</td>
<td>Engage municipal associations in advocating for adoption of Law on Real Rights.</td>
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</tbody>
</table>
April – May 2008: Querying municipalities about specific provisions of property laws, existing practices, revenue collection and allocation.

May – June 2008: Work with municipal associations and GTZ on promoting adoption of the draft Law on Real Rights in line with report recommendations.


Dec 2008 - on: If the Laws are adopted, provide advice and assistance to municipal association in monitoring implementation of the Law on Real Rights and initiating changes to implementing legislation.

Further steps:

2009-2011: Facilitate discussion on potential changes/policy options in the process that may lead to legislative reform.

2009-2012: Support adoption and promote proposed policy changes.

2009-2012: Provide assistance to municipal association in organizing relevant trainings on the basics of municipal asset management.

Activity C.3: Assist the Entity Ministries of Finance in Implementing Policy Changes in Fiscal Decentralization

Activity objective:

- To assist in providing municipalities adequate own-source revenue and furthering decentralization

Ministries of Finance and entity Associations of Cities and Municipalities lack the capacity to monitor the evolution of the intergovernmental finance system and to recommend adjustments to reflect changes in expenditure responsibilities or fiscal policies, lacking even the skills and tools to collect and analyze data on local government revenues and expenditures.

GAP will work to develop essential capabilities within the entity MoFs to enable them to better understand and analyze municipal finance and review changes to the structure of intergovernmental finance. This activity will be implemented through three sub-activities, as listed below.

Sub-activity 1: Continue implementation of revenue reporting in FBiH

Rationale: During the implementation of the Revenue Allocation Law in the second half of the previous project, GAP identified obstacles in the policy making process at FBiH level. A primary obstacle stems from the lack of revenue and
expenditure data for individual municipalities, a major reason why the FBiH MoF is unable to monitor the implementation of the Revenue Allocation Law, particularly the effects of fiscal equalization across municipalities. The RS Ministry of Finance adopted and implemented a system of revenue reporting in 2007 and since then it has been collecting information on a monthly basis.

**Approach:** In the first phase of the project, GAP assisted the MoF in developing a format to track the single account revenues through the use of bank statements on daily allocation of these revenues. This led to joint activities with the FBiH MoF Fiscal Department on expanding and adjusting the format for monthly revenue reporting. By the end of the project, a new revenue reporting format and the rulebook on its use were developed with GAP’s support. This format tracks all the revenues being collected in the Federation on a monthly basis. It follows the FBiH Chart of Accounts, with separate formats developed for reporting on the Federation, cantonal, municipal and off-budget funds revenues.

In the first year of the second phase of the project, GAP will support implementation of this format by enabling the MoF to collect data on each public funds user in the Federation individually. We will assist the MoF in developing a database to collect data directly from all budget users in the Federation. This database will contain an increased level of details on revenues, enabling the MoF to accurately follow the effects of different policy changes on revenue collection and distribution. This will include information on the implementation of the equalization model as well as the effects that direct tax reform will have on each municipality.

This information will allow the tracking of different fees and charges that are introduced by other government levels. Moreover, the consolidation of overall FBiH revenues will be more accurate as intergovernmental grants will be tracked using this format. Finally, the report will be an important source of data for the Debt department, who must administer overall and individual debt limits in the Federation which are linked to current revenues in the Debt Law.

**Schedule:**

- May – June 2008: Define requirements for the database on revenue reporting in FBiH
- July – Sept. 2008: Development of the revenue reporting database and installation
- Sept. – Dec. 2008: Provide support and monitor implementation

**Sub-activity 2: Develop and implement an improved expenditure reporting format**

**Rationale:** The current reports that track expenditures in entities do not provide the necessary information to facilitate the decentralization process. There is little information on overall funds spent on a particular function, and no breakdown of costs by economic classification (salaries, material costs, capital investment) within a particular function.
**Approach:** To reach this particular objective, GAP will examine and analyze the current expenditure reporting in the entity MoFs, with a particular attention to the economic and functional classifications. Second, we will assess the minimum level of information that is needed for further decentralization of functions. Following this needs assessment, assistance will be provided to the MoFs in devising a format for reporting that will be able to provide sufficient information for analysis of expenditures and for the subsequent making of informed policy decisions about the decentralization process.

Due to a lack of capacity within the MoFs, GAP will provide support for the establishment of a database that will be used to store all gathered information and produce necessary analyses of expenditures.

**Schedule:**

Sept – Oct 2008: Conduct research of ongoing activities in expenditure reporting

Nov - Dec 2008: Together with MoFs, develop and draft a reporting format for Budget execution reporting in FBiH and RS consistent with that used by other levels of government in BiH

**Follow-on activities:**

January 2009: Review and refine the format with key stakeholders

Feb-June 2009: Develop expenditure reporting data base

May 2009: Assist in drafting amendments to relevant bylaws as appropriate

May-June 2009: Organize of a range of presentations for municipalities to present the new reporting system, and explain its requirements

July – Oct 2009: Provide advice and assistance in implementation

2009-on: Assist MoFs in application of expenditure data for policy evaluation

**Sub-activity 3: Build capacity for costing of functions**

**Rationale:** Ministries of Finance and entity Associations of Cities and Municipalities lack the capacity to monitor the evolution of the intergovernmental finance system and to recommend adjustments to reflect changes in expenditure responsibilities or fiscal policies, lacking also the skills and tools to analyze the data on local government revenues and expenditures.

**Approach:** We will build skills in costing functions and analyzing and amending revenue allocation models to account for transfer of functions between levels of government based on these expanded expenditure data. We will work with the entity MoFs and associations to develop this capacity by seconding our staff to MoF and deploying short-term expertise as needed. Further assistance will be
provided in the process of promotion of proposed solutions, training of municipal and association staff on alternative developments, and monitoring of implementation.

**Schedule:**

May – Jun 2008: Provide training and education to Ministries of Finance in costing of functions in hands-on training sessions using as an example the primary education function. This includes:

1. Training and practical education in gathering of data about the current funding of the selected function to be costed.
2. Train and practically show how data that is gathered is analyzed in order to assess the current cost of the function.
3. Train and build the capacity for an assessment of the cost of this function if performed at a different level of government.

July – Sep 2008: Based on the previous steps, provide training and build capacity to analyze policy options and define a reform proposal for each policy option, based on the information and analyses provided through this process. Propose amendments to the revenue allocation model and/or develop new models to allow for transfer of functions between levels of government.

Sep – Dec 2008: Provide training and education to Associations on the effects of shifting of functions and basics of function costing for member support purposes. This training will also include guidance on an independent collection of data, data analysis and build capacity to assess policy options developed by Government and provide competent feedback and comments to their proposal. Enable Associations to formulate a competent position on Government proposals, which will be considered by the Association presidency.

Follow- on activities:

2009-on: Assist MoFs, Associations, and other interested parties in undertaking analyses of alternative revenue, expenditure or functional reassignments.

**Impact:** Increased functional decentralization will be more likely to be accompanied by adequate revenue assignment, limiting unfunded mandates. The capacity of the entity MoFs to amend revenue allocation laws will be improved. MoFs and municipal associations will have the necessary data for monitoring and adjusting revenue allocation systems and increased confidence in reliability of financial data as well as the skills necessary to analyze these data.

Resources: GAP staff, local and regional and/or international short-term experts, training, workshops, and local subcontractors.

Activity C.4: Drafting of a New Law on Civil Service in Local Self-Governance

Activity objective:

- To further functional decentralization in FBiH. Greater autonomy on operation of local governments in FBiH.

Rationale: The current FBiH Civil Service Law regulates the management and operation of civil service from the entity to the municipal level. However, its implementation at the local level has shown many shortcomings, as the central management by the FBiH Civil Service agency has created many difficulties in the functioning of civil service at the local level. By being almost excluded from the process of selection, appraisal, evaluation, and awarding of civil servants, mayors have lacked an important aspect of management of their administration. According to mayors, the process of selection takes a long time, which often holds them back on many aspects of managing their staff. Equally, they have been unable to motivate well-performing staff or sanction those who under-perform, because the evaluation system is in the hands of the Agency. As a result, the mayors are initiating changes to the Civil Service Law to exclude local governments from some of its aspects. This would also make it more in line with the arrangement in the RS, where the civil service at local level is regulated by a separate law.

Approach: This was one of the highest priorities identified by the FBiH Association in GAP’s initial querying about policy priorities. A working group of the FBiH municipal Association analyzed provisions of the Civil Service Law, and came up with a number of findings, one of which recommends exemption of local governments from the Civil Service Law and suggests drafting of a separate law, which would be offered to the Government as an alternative solution. GAP would continue using the existing working group in order to assist with the drafting of a new Law. Based on the findings of the working group, we would make an initial enquiry of municipalities about content of the Law, and would propose a basic structure of the law to the working group. We would provide legal assistance and advice in drafting of the Law. This would be followed by activities on presenting the law to a wider circle of local governments, which would be able to give comments to the draft law through five regional public hearings/workshops. Based on their input, the law would be further refined and presented to the government and parliamentary committees.
Schedule:

May 2008: Background research and defining the scope of work together with the Association. Meeting with the working group to discuss their present work and the way forward, and clarify GAP’s role.

May - June 2008: Querying municipalities through interviews to conduct a needs assessment and obtain input for the basic structure of the law.

End of June 2008: Structure of the law presented to the working group.

July – Sept 2008: Preparation of draft law through the working group.

September 2008: Draft law presented to the Association Presidency.

Nov – Dec 2008: Five regional workshops/public hearings to obtain comments to the law from the majority of local governments.


January - ongoing: Promotion of the Law (further defined in the Year II work plan).
CROSS-CUTTING INITIATIVES

Overview
Several initiatives will 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)

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. 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, GAP will work on improving the overall conditions for municipal borrowing. This process will begin, first, with an analysis of the current debt market and its functioning, especially in light of the legal framework for borrowing, assembling data on debt issuance, providing training for municipalities in debt management along with the CIP process, and conducting intermediary work with financial institutions.

With respect to the underlying policy, GAP, through its Team, will concentrate on adoption of the relevant sub-legal regulations (rulebooks) for the RS Debt Law. In the Federation, the assistance will focus on helping the Ministry of Finance present already finalized rulebooks to the users (local governments and cantons). This reform will result in clearer and smoother implementation of the activity in practice. As needed, and
following this review and adoption of the rulebooks, GAP may also assist with the preparation of amendments to these debt laws. Second, GAP will work with both entities on the development (Federation) and/or improvement of the existing databases (RS) 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 comfort over municipal debt, a second outputs 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 February 2009. Finally, 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 municipal 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 all 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. These CIP oversight bodies and accompanying five-year CIP documents will serve as prerequisite for any GAP co-financing of projects. Therefore, 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 the 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 participate.

On the supply side, GAP will both research the availability of noncommercial loans (WB, European Investment Bank, EBRD etc.) to municipalities and work with commercial lenders on the means to improve the environment for borrowing. GAP will 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. The results of the research and analysis should be made available to municipalities by October 2008, with financing workshops and meetings to begin soon thereafter.

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 in June 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.

Please note that GAP has designed the work plan bearing in mind the municipal election process, but assigning it only marginal impact on the activity plan. However, there is always the possibility that the election campaign process and results could severely hamper the implementation of project activities.

**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:**

- **May 2008:** Assist FBiH MoF in presenting the bylaws to local governments and cantons.
- **May-October 2008:** Work with municipalities on issues relating to municipal borrowing, reporting and creditworthiness as part of CIP training for non-CIP legacy municipalities and ongoing monitoring for CIP legacy municipalities
- **October 2008:** Results of the credit market research available to municipalities
- **November 2008:** Training and information on municipal borrowing provided legacy CIP municipalities
- **December 2008:** Training and information on municipal borrowing provided legacy non-CIP municipalities
- **December 2008:** CIPs adopted in all selected legacy municipalities
- **December 2008:** Sub-regulations for the RS Debt Law in place
- **February 2009:** Databases on municipal loan tracking developed
June 2009: Credit Market Conference
June-July 2009: Set of four three-day training sessions on creditworthiness assessment, loan packaging and public procurement of loans

Follow-on activities:

2009-2012: 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

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

Introduction
As local governments become more sophisticated in their operations, they commonly need access to expertise internally unobtainable. This role is assumed by consultants, those whose expertise is available for hire on an as-needed basis. By developing a strong market for consulting services to local governments, both increasing the supply of consultants and educating local governments on their use to increase the demand, local governments in BiH will be able to take advantage of that expertise. 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 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: Advanced local governments often find it necessary or preferable to call on outside experts to help them address specific issues and problems. These consultants can provide specialized expertise in areas such as debt management, finance, construction and engineering, program evaluation and similar subjects, expertise not available internally. Although a core group of such 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: GAP will develop a database of local and regional experts to assist local officials and municipal associations in identifying and securing consulting services. In addition to contact information, the database will contain information on areas of specialization, qualifications and work history to facilitate reference checks; an expanded “yellow pages” for local government to obtain assistance. The database will be searchable by name, location and specialization. On an ongoing basis, all GAP technical staff will populate the database with existing knowledge of the network of specialists and any new experts used on GAP. We will also query our consortium partners for additional local and regionally-based consultants.

Ownership of the database will be handed over to the associations of municipalities upon its development, enabling them to pair municipalities with experienced consultants and organizations. In addition to their role in providing this service, this tool is also intended to give municipal associations themselves access to quality consulting.

Following its implementation and once utilization patterns have been determined, GAP will 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:
May 2008: Conduct a needs assessment with municipal associations
June 2008 and ongoing: Compile data on consultants and experience
October 2008: Develop structure and specification of the database
March 2009: Database development and association training
December 2009: Handover of responsibility for the database to municipal associations
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: As noted, well-functioning governments often call on outside expertise to address specific issues and problems beyond their internal areas of expertise and by so doing improve the overall quality of their decision making. However, the decision whether to do so -- the “make or buy” decision -- is difficult for even more advanced governments, and local governments in BiH have had little 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 them tools and knowledge to be able to contract, monitor and evaluate these outside experts.

Approach: Although this will be an ongoing activity cutting across and supporting a number of other GAP activities, the core assistance under this activity will be to provide municipalities essential training and support in the use of consulting services. This training and associated materials will cover the 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 will be conducted in connection with working out the implementation of Municipal Action Plans in legacy municipalities, and training materials will be 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.

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 production and training costs

Schedule:

- **August - September 2008:** Training provided to legacy municipalities as they develop implementation plans and jointly develop scopes of work for the Municipal Action Plan
- **June 2008 and ongoing:** Assistance with RFP preparation for legacy municipalities and contract negotiation
- **Ongoing:** Assistance with contract management and monitoring
- **Ongoing:** Assistance with contract performance evaluation
- **July 2008 and ongoing:** Contracting training for new municipalities
- **October 2008:** Preparation of consultancy service contracting handbook
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, 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:**

- **April 2008:** Work with organizers of the Municipal Fair to identify and invite consultants to participate at the Fair.
- **August 2008:** Review of funding opportunities for consulting services
- **August 2008:** Review of range of consultancy services and likely demand for those services
- **Ongoing:** Increased consultant representation at conferences and fairs
- **August 2008 and ongoing:** Assistance 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 project affects women and men differently;
- **A lack of gender-disaggregated data** and, consequently, an inability to argue and lobby for gender sensitive policies with supportive data;
- **A lack of adequate training on gender issues** among municipal officials (it is often the case that the council, which is in charge of giving the mandate to the gender committee, has little or no gender sensitivity and/or knowledge);
- **Budget constraints** as an excuse for no gender related projects or policies on the local level;
- **A failure to recognize the NGO sector as an important partner** in gender dialogue that can complement municipal services in the areas where the municipalities have no capacities, such as gender-related issues.

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

**Activity objective:**

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

**Rationale:** Although envisaged by the state Law on Gender Equality (LGE), municipal statutes often lack harmonization with this Law, limiting its applicability and preventing the implementation of policies that are gender balanced.
**Activity:** In the initial phase, GAP will select partner municipalities that are interested in expanding their gender outreach. For legacy municipalities, this assistance will be offered as an adjunct to other demand-driven assistance or as stand-alone assistance; for core municipalities, this assistance may be offered as an aspect of improvements to service delivery where appropriate. Once a model set of municipal statutes are 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.

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:**
July 2008: Gender legal reform to be incorporated in catalogue of municipal services.

As requested, we will undertake the following steps:

- Analysis of gender equality legislation in the municipality vis-à-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 gender-neutral 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 requested

**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 participates 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 polices 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

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

**Schedule:** To accompany CIP training and follow CIP/grant
MONITORING AND EVALUATION

Overview

An integral part of GAP activities is the process of monitoring and evaluation (M&E). Performance-based monitoring and evaluation are essential functions that will allow the GAP Team, the JMC and key stakeholders to track progress toward program objectives and help the COP and other experts manage for results and make key decisions. The M&E process is based on two major goals:

- To provide useful, timely information for results-based management decision making, accountability, and mutual learning experiences; and
- To increase the plausibility of impact attribution.

M&E will go beyond simply assuming that program outcomes produce impact, and will allow the component leaders to identify areas requiring more focus or additional interventions. Monitoring and evaluation is critical to good management in project and it is integral to strategic thinking, planning and action.

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? and

- **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 during 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. The following figure displays graphically M&E Approach in GAP.
This triangulation of tools will create a robust framework of monitoring and evaluation processes in GAP. This comprehensive approach will measure impact, integrate work plan activities, provide data for continual improvement of program effectiveness and support JMC’s internal reporting needs.

Once a year, M&E Specialist will create a Municipal Scorecard for each partner municipality. This card will display major results and related graphs based upon data collected for P-BMP, MCI and attitudinal surveys for each municipality. The cards will be distributed to municipalities, GAP staff and stakeholders. Based upon the experience from the first phase, this approach helps in identification of possible issues or burdens in specific municipalities. A separate reporting format by municipality, listing individual indicators for the municipality itself, will enable individual local governments to look at their own performance and examine trends over time vis-à-vis the specific targets they have set.

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)**

The Performance-Based Monitoring Plan (P-BMP) is an important tool for managing and documenting portfolio performance. It enables timely and consistent collection of comparable performance data, which allows project managers to make informed decisions on the overall management of the project as well as any necessary changes in the project design.

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 will serve as a “living” document that the GAP management team will use 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.

When reviewing the PMP, the following issues shall be taken into account:

- Are the performance indicators working as intended in the design process?
- Are the performance indicators providing the information needed to properly gauge GAP activities in each component and
- How can the PMP be improved?

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.

P-BMP defines each performance indicator by its definition, unit of measurement, data source, method of collection, schedule of collection and reporting responsibility. According to these specifics, P-BMP Surveys will be organized quarterly, semi-annually and annually through life of project. Findings from each survey will be reported to JMC and stakeholders regularly after each survey. The baseline survey will be organized immediately after approval of the GAP Phase Two First Year Work Plan. Wherever possible, data will be disaggregated by categories, with special attention to gender disaggregation.

Up to the extent possible, P-BMP will utilize historical findings and data available from previous phase of the project to facilitate comparisons.

The schedule of data collection for performance indicators differs based upon the type of indicators (quarterly, semi-annually and annually) and is clearly displayed in Performance Management Task Schedule (see page 16 of P-BMP).

The Performance-Based Monitoring Plan is enclosed in Appendix 2 of this Work Plan.

**Municipal Capacity Index (MCI)**

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 can be used to evaluate project success by region, by category and over time. Data from partner municipalities will be evaluated against data collected in municipalities not participating in GAP. These municipalities will 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 will be providing MCI scores every six months. The MCI Baseline Survey will be organized immediately after approval of the GAP First Year Work Plan. Up to the extent possible, MCI will utilize historical findings and data available from previous phase of the project.

The Municipal Capacity Index is enclosed in Appendix 3 of this Work Plan.

**Attitudinal Surveys**

Attitudinal Surveys will 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 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.

For the GAP legacy municipalities, regular data will be obtained and compared to historical values. Additionally, results will be used to measure the current situation and establish base line data for Cohort III of GAP municipalities and later on for Cohort IV. Annual repetition will be used to monitor the progress as a result of project implementation in the first phase, and later as a reference data for our municipal partners during the local analyse/planning and decision-making activities. This process will include a baseline survey at the beginning of the project (Q2, 2008), followed up with comparison surveys each year.

The main goal of the survey is to provide baseline and regular data (depends 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.
APPENDIX 1: PROJECT IMPLEMENTATION SCHEDULE

Please see attached document
APPENDIX 2: PERFORMANCE-BASED MONITORING AND EVALUATION PLAN

Please see attached document
APPENDIX 3: MUNICIPAL CAPACITY INDEX

Please see attached document