



Governance Accountability Project
Projekat upravne odgovornosti

P-BMP AND MCI REGULAR SURVEY REPORT

GOVERNANCE ACCOUNTABILITY PROJECT, PHASE II

November 2008



**Koninkrijk
der Nederlanden**



TABLE OF CONTENTS

Introduction	3
P-BMP and MCI Survey Timeframe and Participants	3
Performance-Based Monitoring Plan (P-BMP)	3
Performance Indicators' Data	4
1.1-1 <i>Number of Municipal Citizens Service Centers (CSC)s established and/or improved to serve local citizens</i>	4
1.1-2 <i>Number of complaints made by citizens regarding municipality issues</i>	4
1.1-3 <i>Proportion of complaints submitted to municipalities resolved</i>	6
1.1-4 <i>Municipality is more responsive to delivering services to the public</i>	8
1.1-5 <i>Percentage of citizens satisfied with municipal services delivery</i>	12
1.2-1 <i>Number of municipalities that have modern, formalized and integrated budget and finance systems in place and efficiently used</i>	14
1.2-2 <i>Percentage change in municipal own-revenue generation (non-tax revenues) adjusted for inflation</i>	15
1.2-3 <i>Rate of collection for each major revenue source</i>	15
1.2-4 <i>Ratio of capital outlays to operating expenditures</i>	17
1.3-1 <i>Number of GAP2 municipalities implementing capital improvement plans</i>	18
1.3-2 <i>Number and amount of grants (i.e. "co-financing") awarded to municipalities through CIP or similar existing bodies</i>	18
1.3-3 <i>Number of applications submitted to CIP or similar bodies for capital improvement projects (disaggregated by categories)</i>	19
2.1-1 <i>Number of GAP partner municipalities that actively participate in advocacy process for policy reform</i>	19
2.1-2 <i>Number of GAP partner municipalities that are actively involved in the work of municipal associations</i>	19
2.1-3 <i>Number of reforms independently drafted and proposed by associations to cantonal, entity and state governments</i>	20
2.2-1 <i>Legislative reforms enacted that allow for electronic document processing</i>	21

2.2-2	<i>Legislative reforms enacted that allow for transfer of vital records between Municipalities</i>	21
2.2-3	<i>Number of partner municipalities processing documents electronically</i>	21
2.2-4	<i>Number of partner municipalities transferring vital records to other municipalities</i>	22
2.3-1	<i>Number of activities/reforms proposed in process to increase local autonomy</i>	22
2.3-2	<i>Percentage of total public sector revenue accruing to the municipal sector</i>	23
3.1-1	<i>Number and amount of loans secured by municipalities to finance capital improvement projects</i>	23
3.2-1	<i>Number of GAP partner municipalities engaging STTA</i>	25
3.2-2	<i>Number of GAP partner municipalities actively mentoring new or non-GAP municipalities</i>	25
3.3-1	<i>Number of GAP municipalities (municipal councils, women's' NGOs, committees etc.) that received training in gender budgeting and capital improvements and report the value of received trainings</i>	25
	Municipal Capacity Index (MCI)	26
	Municipal Capacity Index Findings (MCI)	27
	Appendixes	
A	Performance Monitoring Plan (PMP) Spreadsheets (18 Tables- A4)	
B	Municipal Capacity Index Spreadsheets (4 Tables-A3)	

Introduction

Since the startup of the Government Accountability Project (phase one) and continuing to phase two of the project, careful attention has been addressed to developing procedures for monitoring and evaluating (M&E) all project activities for determining the pace and kinds of results being achieved by GAP. The GAP management team employs three strategies to measure project performance over the life of the project (LOP). These evaluation strategies include the use of the procedures:

- Municipal Capacity Index (MCI)
- Performance Monitoring Plan (PMP)
- Attitudinal Surveys

P-BMP and MCI Survey Timeframe and Participants

This survey represents the first regular semi-annual survey for the project second phase, but using and relying on existing historical data from the previous phase of the project.

All data were collected from October 1, 2008 to November 7, 2008. Data processing and analysis took place in the first half of November 2008. Data for all GAP municipalities were collected in a timely manner with considerable efforts being made by all of the GAP staff along with other regular duties. In all municipalities, GAP Team had full support by Mayors and their associates. With persistence, the teams collected the data for all municipalities in the time allocated for this task.

Performance-Based Monitoring Plan (P-BMP)

The Performance Monitoring Plan (PMP) 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.

The aforementioned considerations are directly linked to data collected during the implementation of this survey. Data already collected are presented in comprehensive tables attached to this narrative and some aspects connected to each performance indicator will be highlighted in the following text with necessary diagrams where applicable.

Performance Indicators' Data

1.1-1 Number of Municipal Citizens Service Centers (CSC)s established and/or improved to serve local citizens

Based upon findings from the assessment, all forty-one legacy partner municipalities have operational Citizens' Service Centers (CSC), that can fully satisfy citizen requirements and enable easier, more pleasant and professional services. These centers serve about 1.6 million citizens in BiH.

In the period that this report covers (April 1- September 30, 2008), no third cohort municipality established a facility which can fully satisfy citizen requirements. However, Ilijaš and Trnovo opened their Citizens' Service Centers in November 2008. Eight municipalities have facilities called "šalter sala" with different level or professional services provided in them. These municipalities are Cazin, Ribnik, Šipovo, Ilidža, Visoko, Gračanica, Kladanj and Petrovo, while municipalities Bosanski Petrovac, Čitluk, Livno, Široki Brijeg and Banovići have no any kind of the facility that enables easier, more pleasant and professional municipal services.

The following diagram shows development of CSCs in partner municipalities through time.

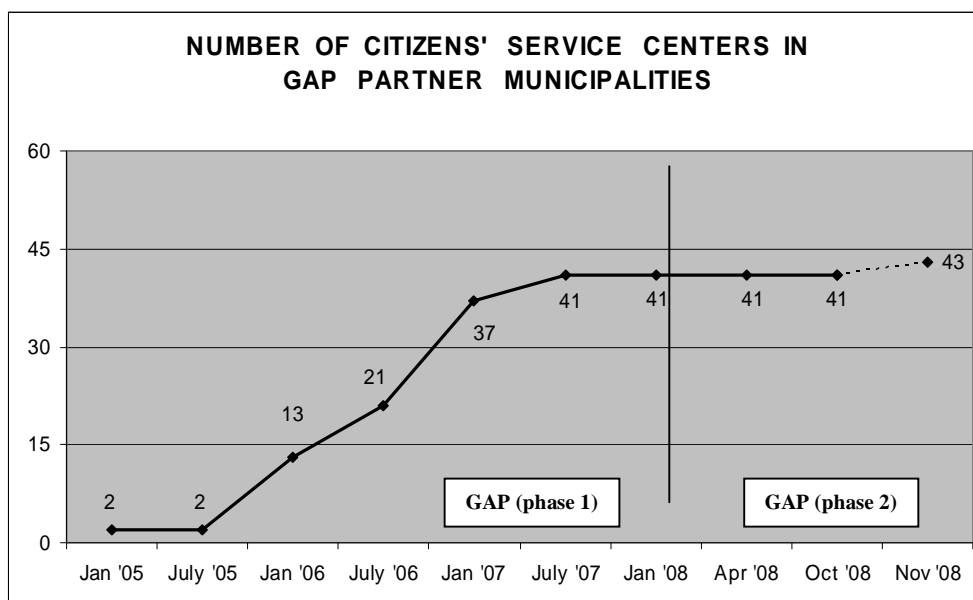


Fig. No. 1

In addition, two CSC satellite offices have been opened in Banja Luka City supported by GAP technical and financial assistance as well.

1.1-2 Number of complaints made by citizens regarding municipality issues

The following figures show the number of complaints and appeals made by citizens during sixteen quarters among the municipalities of the first cohort and last twelve quarters for second cohort municipalities. These data were disaggregated by source as well. Data were collected quarterly. Complaints were disaggregated by the following categories:

- municipal personnel issues,
- urban planning issues,
- public procurement,
- business permitting,
- property related issues,
- municipal inspections,
- other issues.
- social welfare,
- construction permits,
- infrastructure,
- economic-finance related issues,
- war veterans issues,
- cadastre issues, and

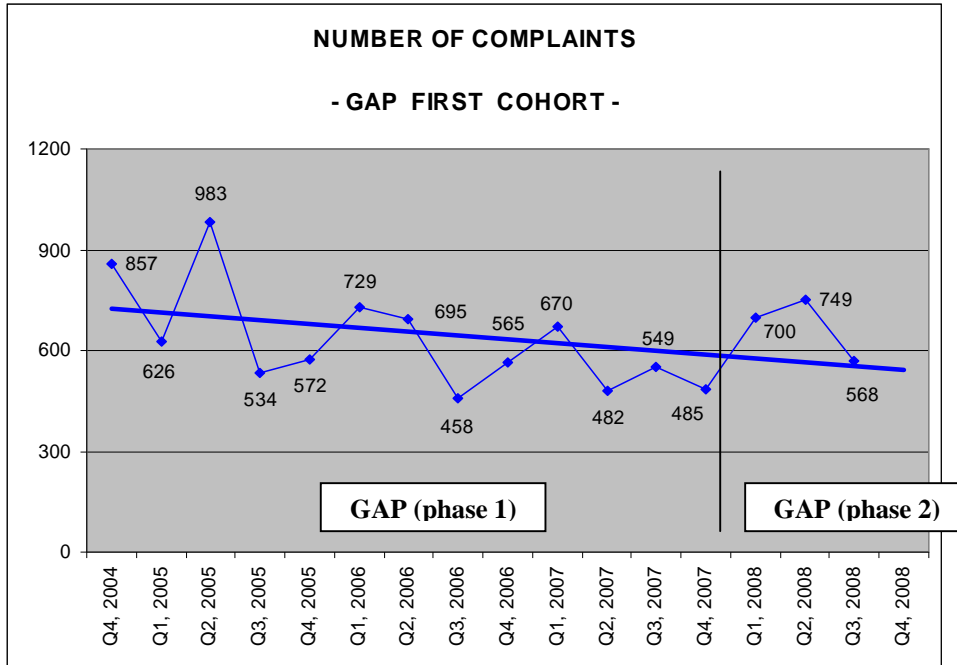


Fig. No. 2

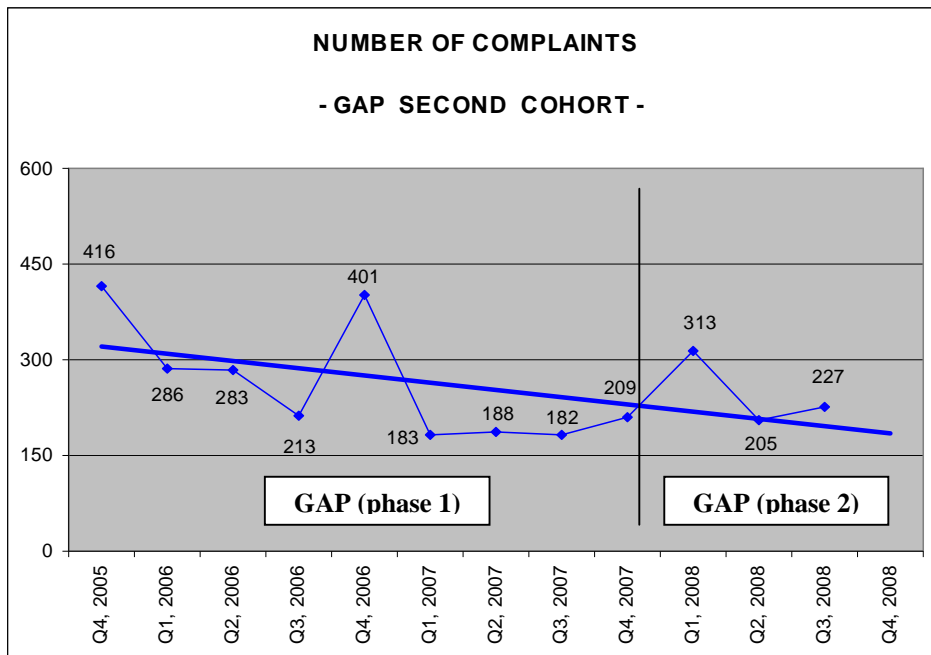


Fig. No. 3

The trend lines continue to decline with the both legacy cohorts of municipalities reflecting increased municipal accountability and more efficient services to citizens.

Three quarterly records for this performance indicator were also established for the third cohort of municipalities. In these municipalities, the trendline has already established a downsizing direction (see Fig. No. 4).

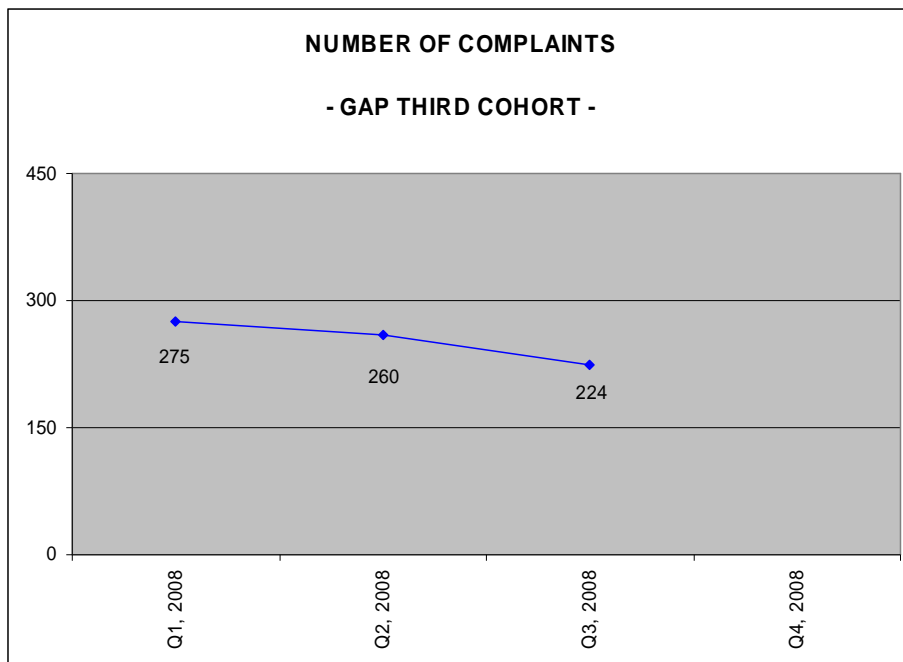


Fig. No. 4

1.1-3 Proportion of complaints submitted to municipalities resolved

The data for this indicator were disaggregated by categories (same as for previous indicator) and source and collected quarterly as well.

Data concerning the number of resolved complaints complement the statistics on the number of complaints recorded and provide a more realistic picture about municipal attitudes regarding citizen services. Figures No. 5 and No. 6 present the percentage of complaints resolved, through last sixteen quarterly records in first cohort municipalities and last twelve quarterly records in second cohort municipalities. The overall trend lines continue in a slight positive direction.

Percentage of the complaints resolved among new partner municipalities is relatively steady in last three quarters, although significant improvement is expected in next year (see Fig. No. 7).

Since, GAP monitoring and evaluation system provides origin and gender disaggregated data for this performance indicator, it is interesting to notice that percentage of complaints resolved for males, females and businesses is more or less similar without any disturbing effects.

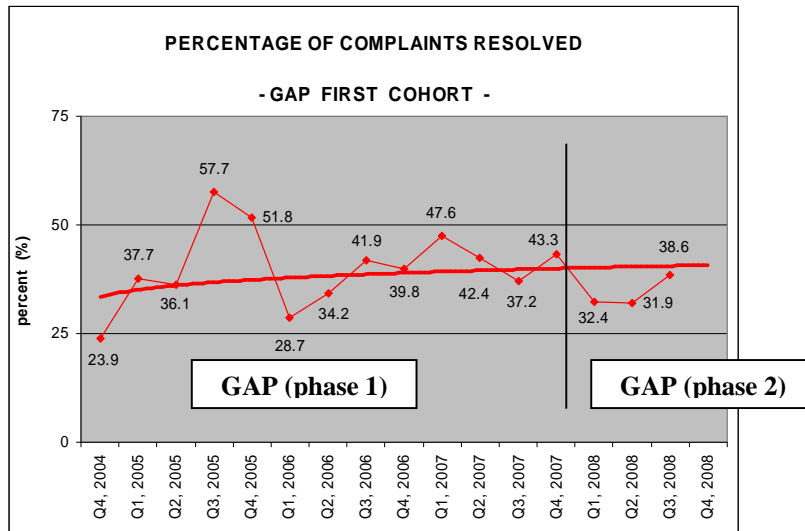


Fig. No. 5

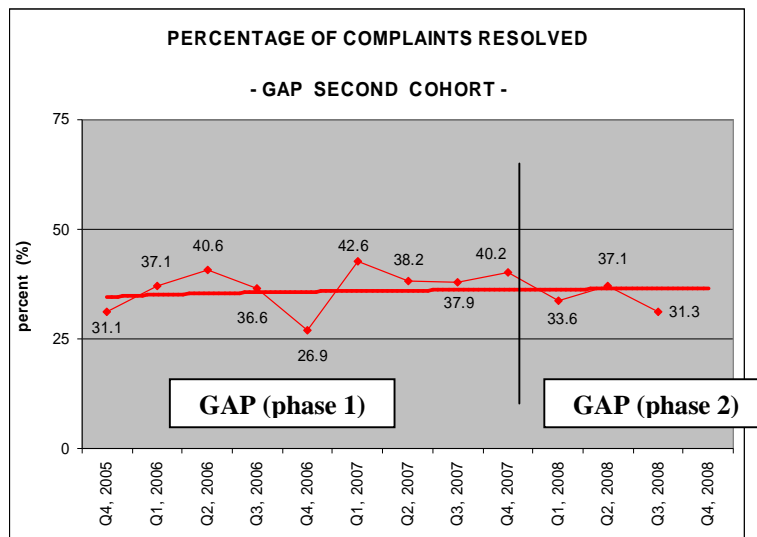


Fig. No. 6

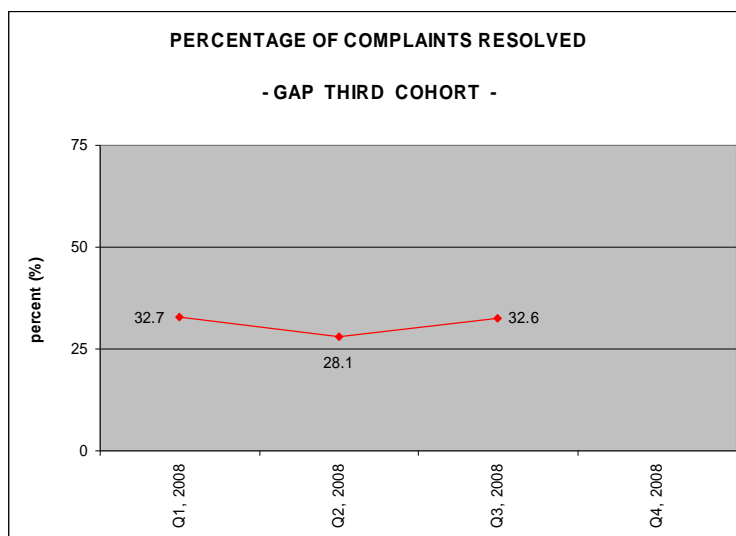


Fig. No. 7

1.1-4 Municipality is more responsive to delivering services to the public

This performance indicator is a measure of service delivery in all twenty-three municipalities of the first cohort through sixteen quarterly measurements going back to the fourth quarter of 2004. Also available are twelve quarterly measurements for the eighteen municipalities of the second cohort beginning from the fourth quarter of 2005 and three quarterly records for the fifteen third cohort municipalities since beginning of 2008. It considers measurements in twelve categories of municipal services. These categories are:

- birth, death, citizenship and wedding certificates,
- urban planning issues,
- infrastructure issues,
- economic and financial issues,
- war veterans issues,
- cadastre issues, and
- social welfare issues,
- construction permitting,
- business permitting,
- property related issues,
- municipal inspections,
- requests for information.

Assessments for service delivery were performed for all twelve categories based on two criteria. First, the number of services (volume of services provided) provided by the municipality, and second, the average time needed for delivering these services. Figures No. 8 and 9 show the number of services provided by first and second cohorts municipalities over the measurement periods.

The first cohort municipalities record a continuous increase in number of services provided through measurement period, as well as the second cohort. Both trend lines are achieving expected (rising) directions. It is still early to comment trendline among third cohort municipalities, but the rising progression is expected in the future.

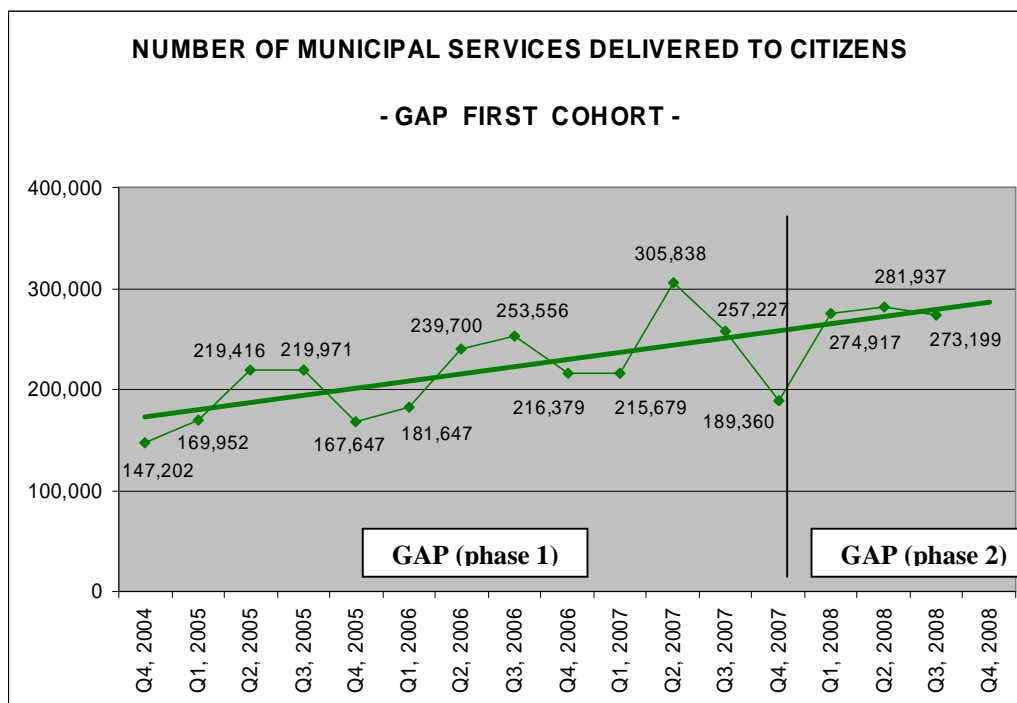


Fig. No. 8

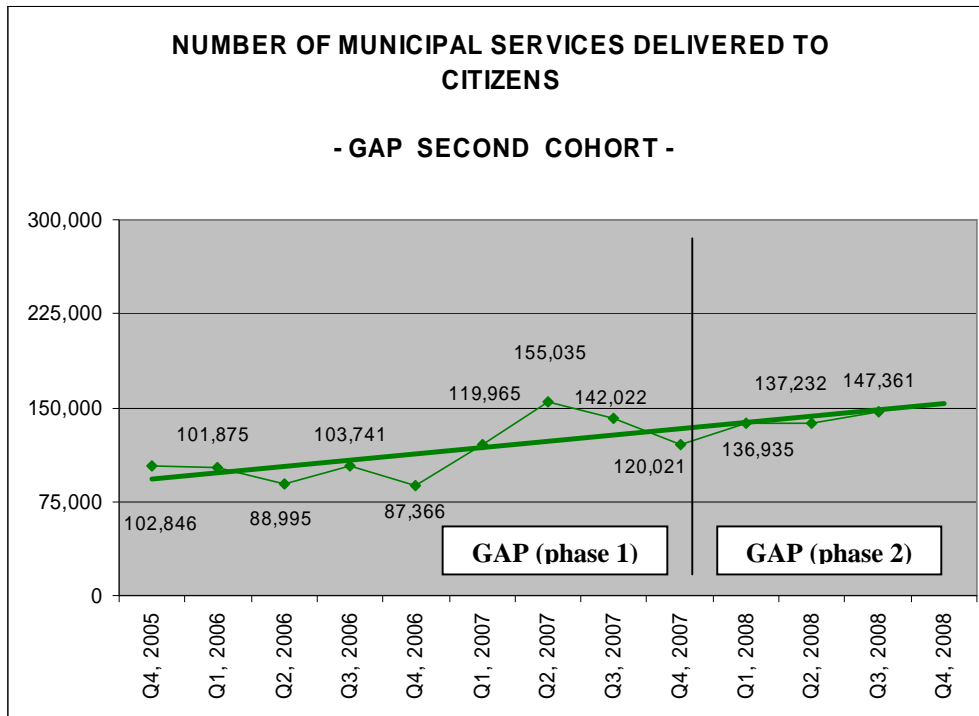


Fig. No. 9

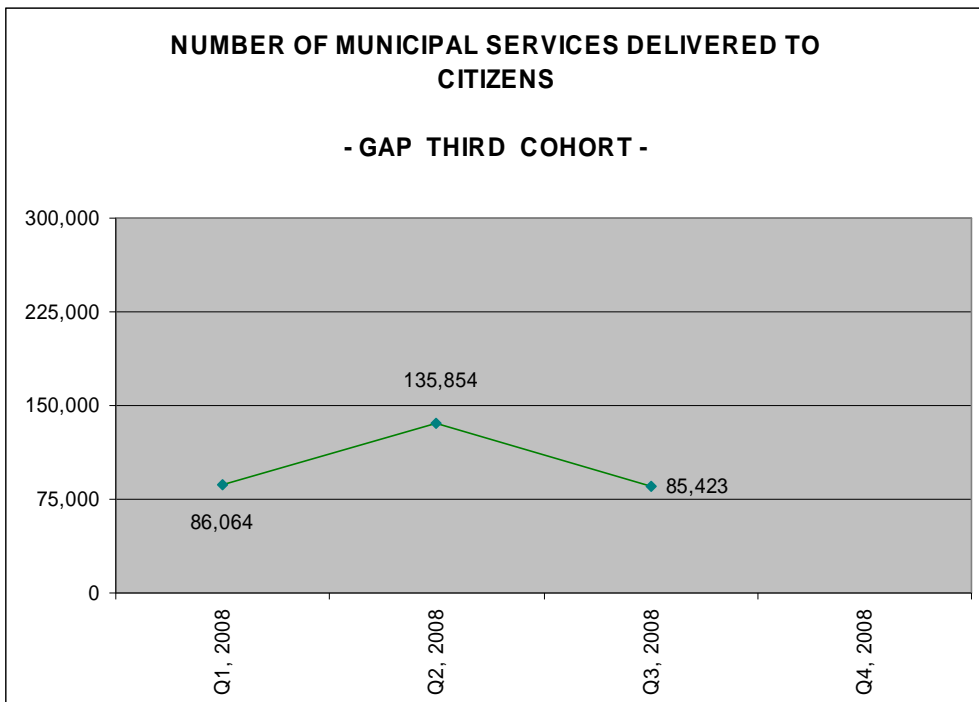


Fig. No. 10

The following figures display the time necessary to provide municipal services in all twelve categories for the twenty-three municipalities of the first cohort, eighteen municipalities of the second cohort and fifteen municipalities of third cohort.

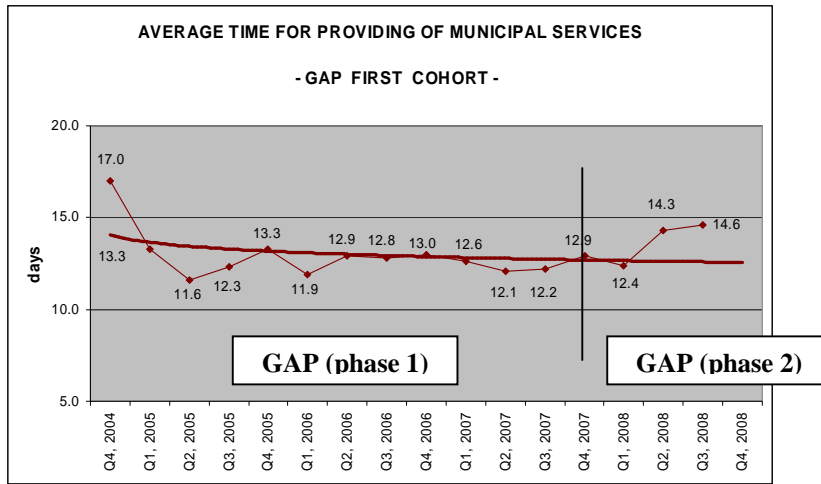


Fig. No. 11

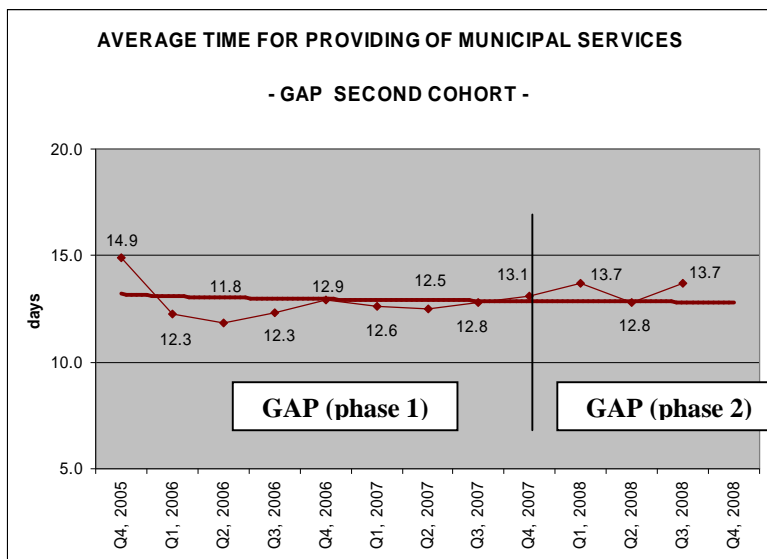


Fig. No. 12

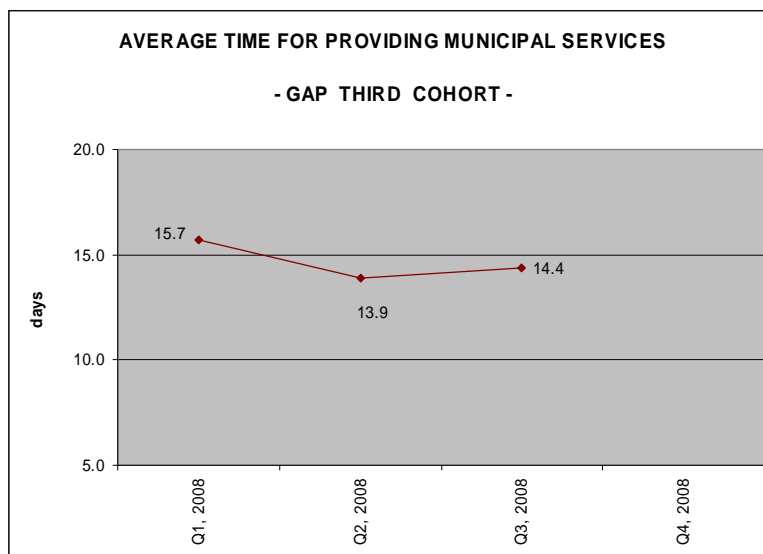


Fig. No. 13

The trend lines generally show decreasing average time (in days) for providing municipal services to citizens and other clients among legacy municipalities (see Fig. No 11 and No 12). The trendline among new partner municipalities has already established a downsizing direction (see Fig. No. 13).

One of the high volume transactions in each municipal citizen service center is issuance of birth, death, wedding and citizenship certificates. Considering all fifty-six GAP partner municipalities, approximately 385,000 such certificates were issued in the most recent quarter, or an average of almost 7,000 per municipality.

The following diagrams show that time for delivering such certificates was decreased from thirty-two minutes during the first quarterly survey, to less than six minutes in the last quarterly survey among the municipalities of the first cohort. Correspondingly, there was a decrease from eighteen minutes to almost four minutes among the second cohort municipalities.

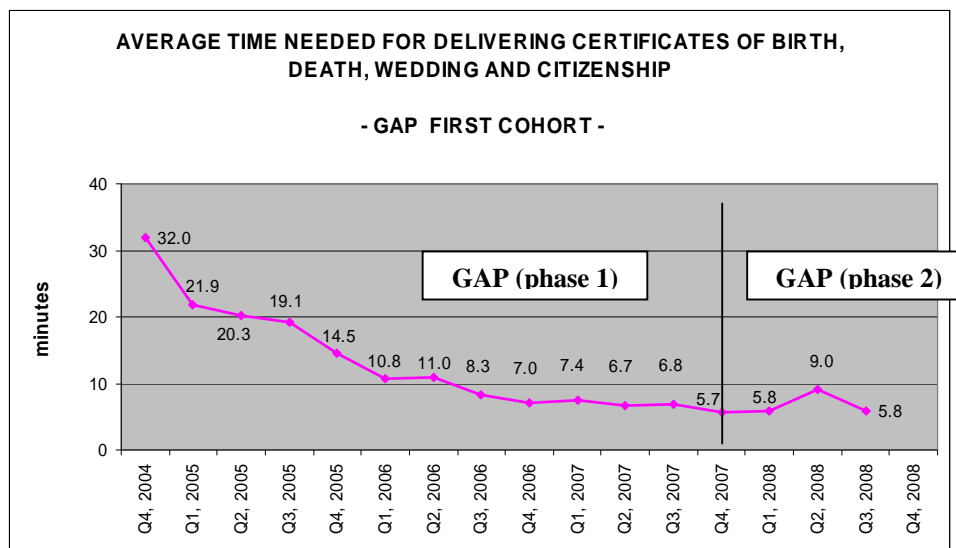


Fig. No. 14

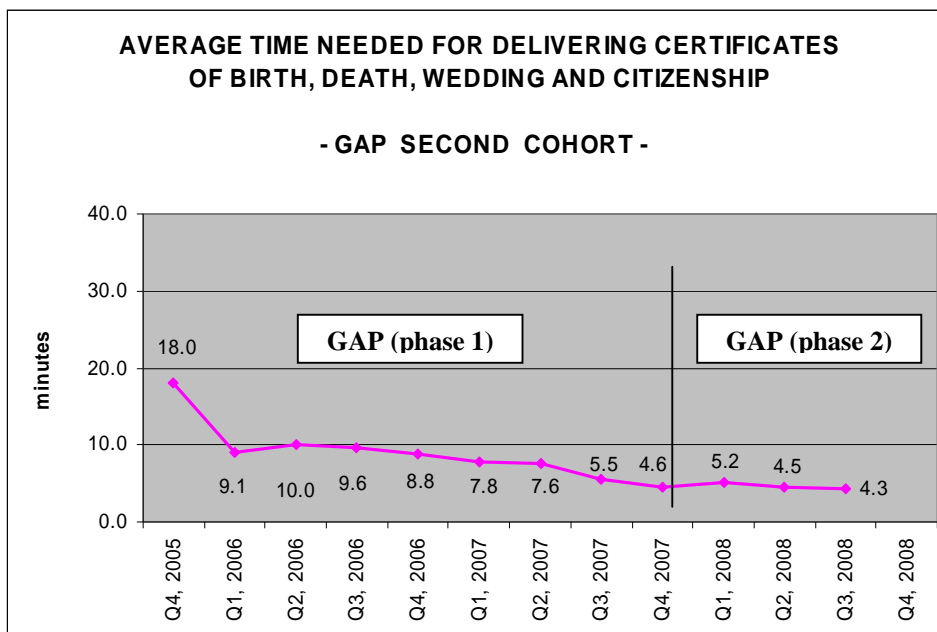


Fig. No. 15

Average time for issuance of birth, death, wedding and citizenship certificates among the new GAP partner municipalities has been already reduced by almost four times, from **two and half hours (151.2 minutes) to 40 minutes**. However, it is expected that after establishment of CSCs in these municipalities, the time will be reduced to similar figure like in legacy municipalities.

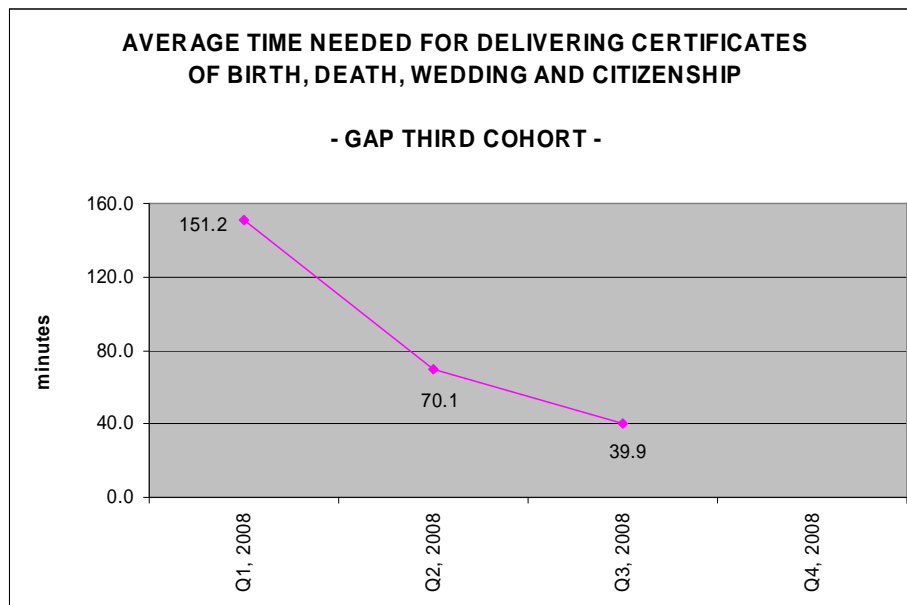


Fig. No. 16

Important note: *The results for performance indicators 1.1-1 to 1.1-4 should not be viewed just separately for each indicator. Analysis of the results and trends among the performance indicators tell more comprehensive story. Taking in consideration significant decrease in number of complaints, increased percentage of complaints resolved, very significantly increased number of services provided and decreased time in delivering services through same period of time, can not happened without very significant efforts by municipalities themselves and GAP technical assistance. Such results simply can not be achieved without influence of internal (municipalities) and external forces (GAP TA) in reengineering of procedures, training of staff and appropriate equipment and software.*

1.1-5 Percentage of citizens satisfied with municipal services delivery

This performance indicator is determined annually through the application of an attitudinal survey. The results for the question “**what is your level of satisfaction with municipal services?**” were obtained as average percent of satisfaction for each of several aspects of municipal services. The following aspects were considered:

- facilities,
- promptness of services,
- knowledge of officials, and
- quality of services,
- politeness of officials,
- cost of services.

The baseline survey for GAP (phase 2) was done in June and July 2008 and based upon findings, separate report was submitted.

For the all GAP forty-one legacy municipalities, eighty-four (84) percent of citizens are generally satisfied with municipal services (“very satisfied” or “satisfied”), **which is a 14.5 point increase** compared to the baseline values and on the level of the survey conducted in 2007. Less than fourteen (14) percent of citizens are not satisfied comparing to twenty-nine (29) percent from the baseline survey. Two percent of citizens did not know or did not wish to answer (see Figure No. 17).

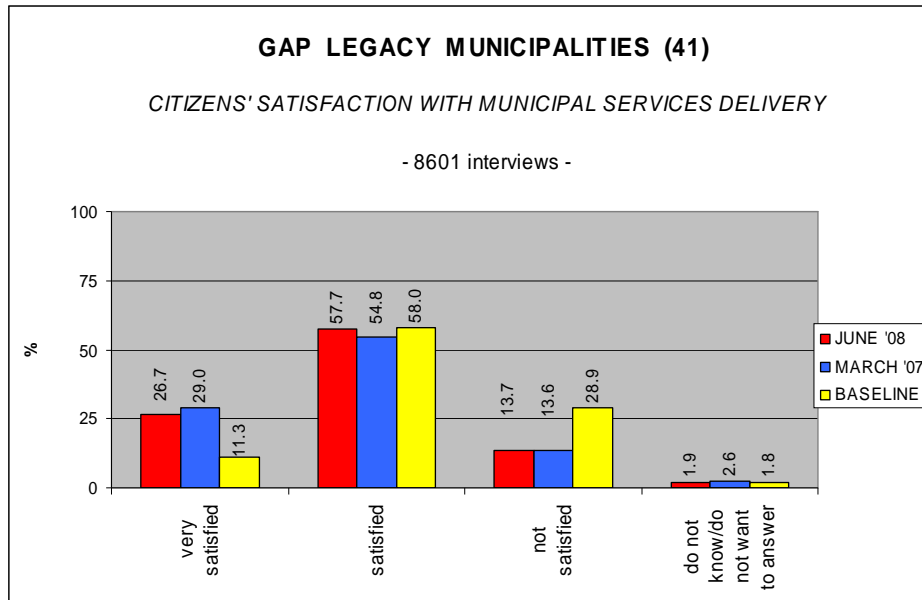


Fig. No. 17

For the new cohort of fifteen new partner municipalities, seventy-one (71) percent of citizens are generally satisfied with municipal services (“very satisfied” or “satisfied”), which is similar to baseline survey data of legacy municipalities. Twenty-seven (27) percent of citizens are not satisfied with municipal services delivery (see Figure No. 18).

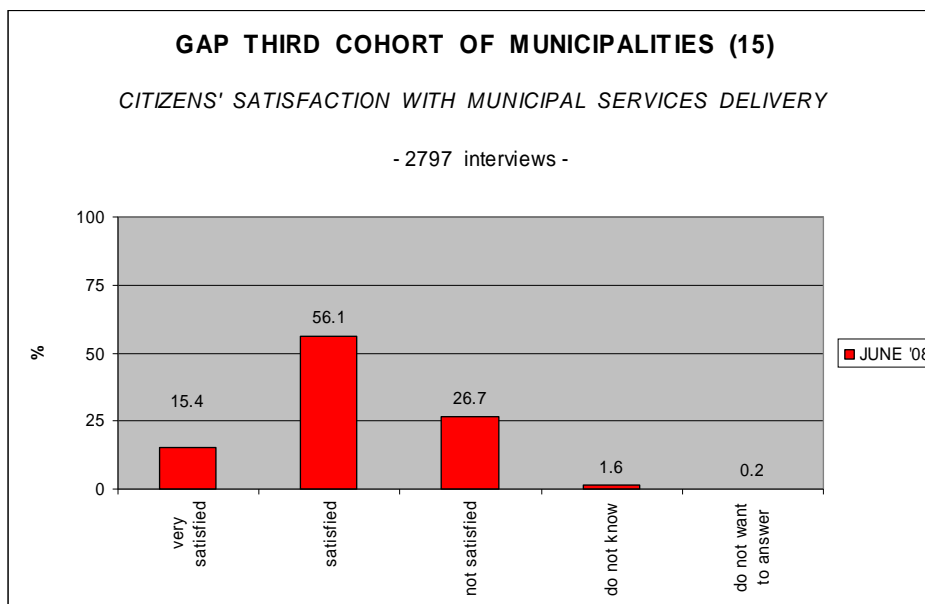


Fig. No. 18

Nine control municipalities (Čelinac, Kotor Varoš, Ključ, Bileća, Kupres, Istočna Ilidža, Novi Travnik, Lukavac and Šekovići) recorded similar results as third cohort municipalities, what is statistically expected, taking in consideration no GAP assistance in control and third cohort municipalities in past. Thus, general satisfaction (“very satisfied” or “satisfied) with municipal services delivery in control municipalities is on the level of seventy-three (73) percent (see Figure No. 19).

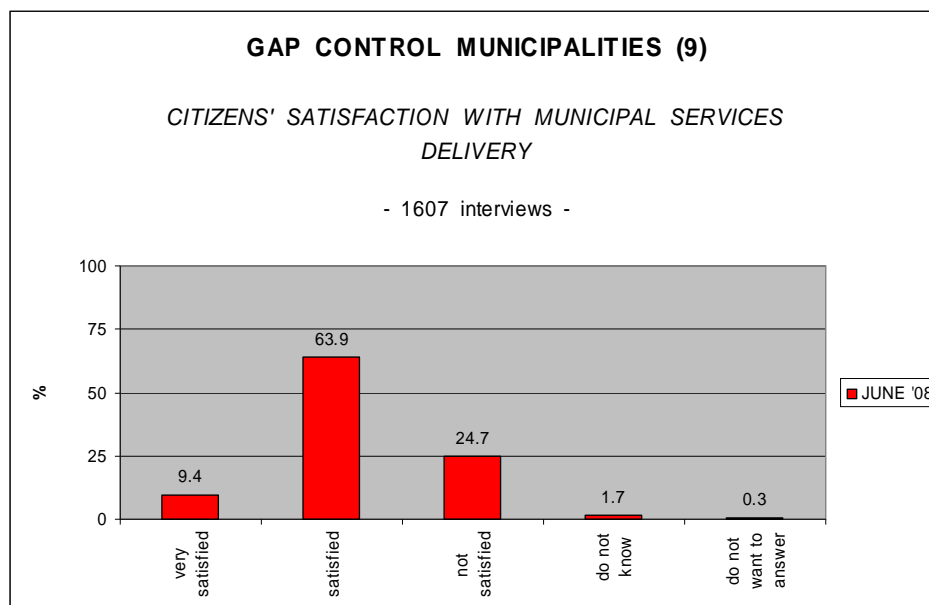


Fig. No. 19

Analysis has revealed insignificant differences (less than 3.0 index points) in opinion by gender, age or urban/rural origin or entity through survey.

1.2-1 Number of municipalities that have modern, formalized and integrated budget and finance systems in place and efficiently used

At the end of GAP, thirty-five partner municipalities had modern, formalized and uniform budget and finance systems in place. Municipalities Bihać, Bosansko Grahovo, Breza, Bugojno, Bužim, Drvar, Čelić, Fojnica, Goražde, Jablanica, Kakanj, Kalesija, Konjic, Mostar, Prozor-Rama, Travnik, Tomislavgrad, Tuzla, Velika Kladuša, Vogošća, Živinice, Foča, Gradiška, Lopare, Mrkonjić Grad, Nevesinje, Rogatica, Rudo, Srbac, Srebrenica, Teslić, Trebinje, Vlasenica and Vukosavlje have IABS Finova XP. Novo Sarajevo had IABS “Deanet”.

Among new GAP partner municipalities, five municipalities have already had installed “Finova” integrated budget and finance software before. However, this software was not on the level of the software in legacy municipalities. From the project start-up, GAP upgraded the existing software to the level of legacy municipalities. The new municipalities that have installed integrated budget and financial software are Bosanski Petrovac, Cazin, Ilijaš, Trnovo and Banovići. Right now, in total, **forty** GAP partner municipalities have installed integrated budget and finance software.

Remaining partner municipalities have different software, but not integrated, while Ribnik municipality has no any kind of software for budget and financial matters.

Twenty-three out of forty municipalities that have installed integrated budget and finance software use it efficiently, while eight municipalities do not use it by its full potential and capabilities. Five new municipalities need additional training for newly installed modules. Four remaining legacy

municipalities (Prozor-Rama, Tomislavgrad, Travnik and Vogošća) require also more training and close GAP monitoring in future.

1.2-2 Percentage change in municipal own-revenue generation (non-tax revenues) adjusted for inflation

and

1.2-3 Rate of collection for each major revenue source

The annual survey on municipal budgets was conducted in third quarter of 2008, since municipal budgets are adopted by municipal councils usually from March to June. Municipal revenues and expenditures have been analyzed based upon submitted municipal Budget Execution Reports for 2007 and earlier years reports for third cohort municipalities.

I Cohort

Municipal budget revenues in 2007 among the municipalities of GAP’s first cohort increased to 418 million KM, is an increase of nineteen (19) percent compared to 2006. Tax revenues were significantly increased by almost thirty-one (31) percent compared to 2006.

At the same time, non-tax revenues, which are the only source of income that municipality can directly collect and control, increased in 2007 by ten (10) percent compared to 2006, while the increase in 2006 versus 2005 was twenty-seven (27) percent (see Fig. No. 20).

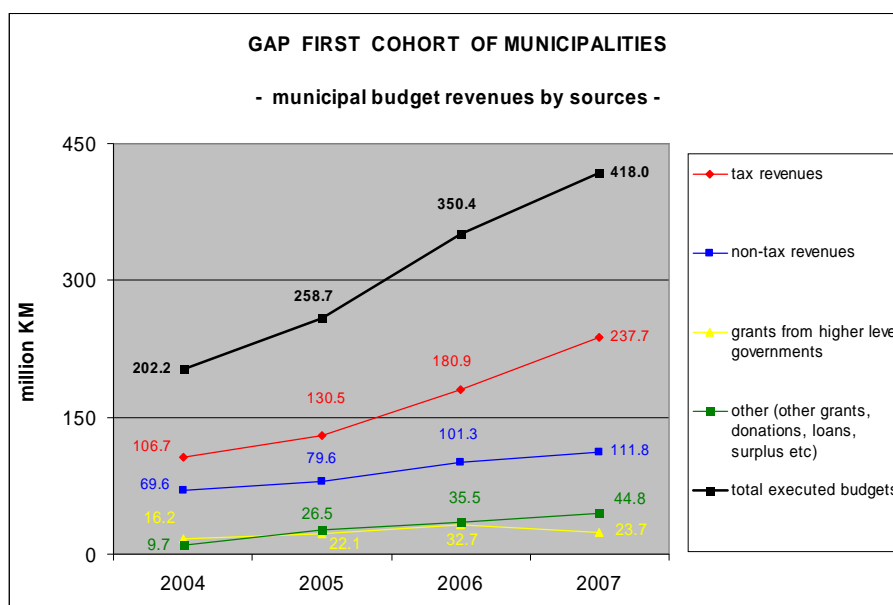


Fig. No. 20

II Cohort

Considering the eighteen municipalities of the second cohort, revenues increased to 169.6 million KM, an increase of more than nineteen percent (19), similar to the first cohort municipalities. Tax revenues increased by sixteen (16) percent in 2007 compared to 2006, while municipal efforts in increase of own generation resulted in an increase of sixteen (16) percent in non-tax revenues as well (see Fig. No 21).

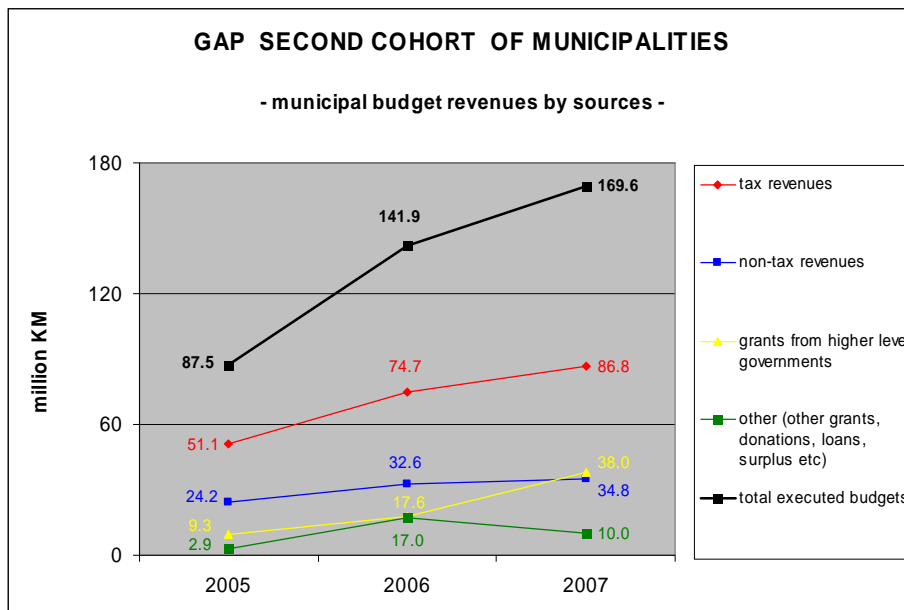


Fig. No. 21

III Cohort

The new fifteen GAP municipalities recorded a very significant increase in revenues in 2007. They increased their revenues by almost thirty-six percent (36) compared to 2006, similar to first cohort municipalities a year before. Tax revenues increased by twenty-four (24) percent, while non-tax revenues recorded an increase of thirty (30) percent last year. These municipalities also recorded a more than double value of grants by higher levels of government. (see Fig. No. 22)

Considering all fifty-six partner municipalities, they increased their revenues by almost twenty-two (22) percent in 2007. Tax revenues were increased by twenty-six (26) percent, while non-tax revenues were increased by twelve (12) percent.

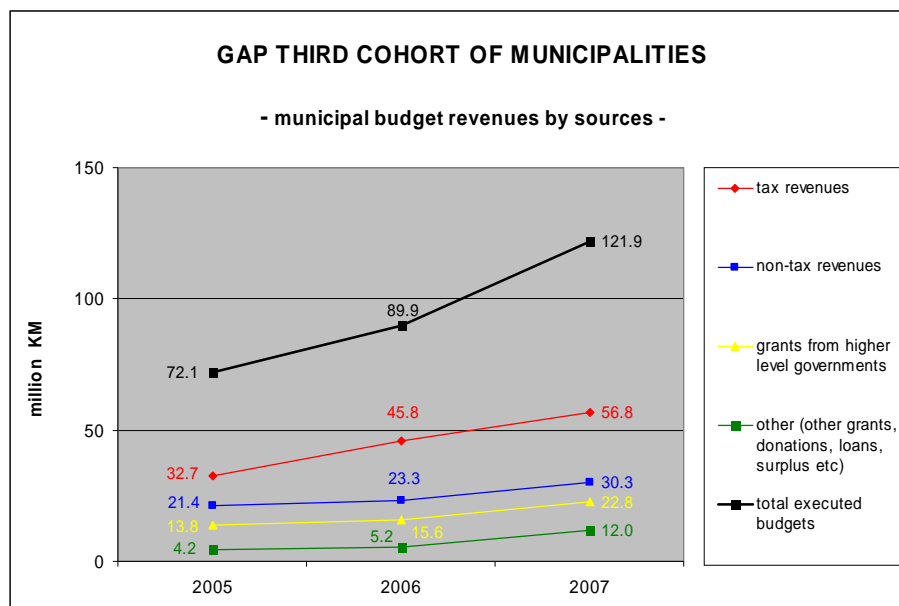


Fig. No. 22

1.2-4 Ratio of capital outlays to operating expenditures

Increase in municipal budget revenues, as well as GAP Technical Assistance in Capital Improvement Planning and better municipal organization enabled GAP municipalities to spend more income on capital projects.

In the last year, all GAP municipalities spent more than KM 222 million from their budgets for capital projects, an increase of forty percent compared to the year before (see Fig. No. 23).

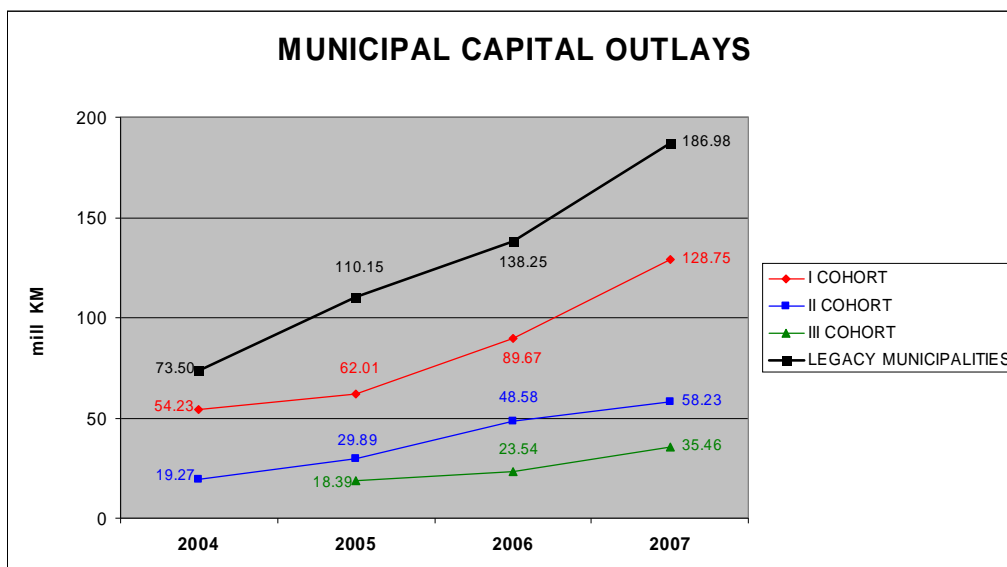


Fig. No. 23

Analysis of average municipal percentage of capital expenditures in total budget expenditures shows that average municipal capital budget among the GAP legacy municipalities increased from twenty-three (23) percent in 2005 to twenty-nine (29) percent in 2006 and finally to thirty-five (35) percent in 2007. A similar pattern is found in new GAP municipalities. A very characteristic point on the diagram below is an increase after year 2005 when VAT was introduced. Increase in tax revenues significantly affected increased capital expenditures among municipalities (see Fig. No. 24)

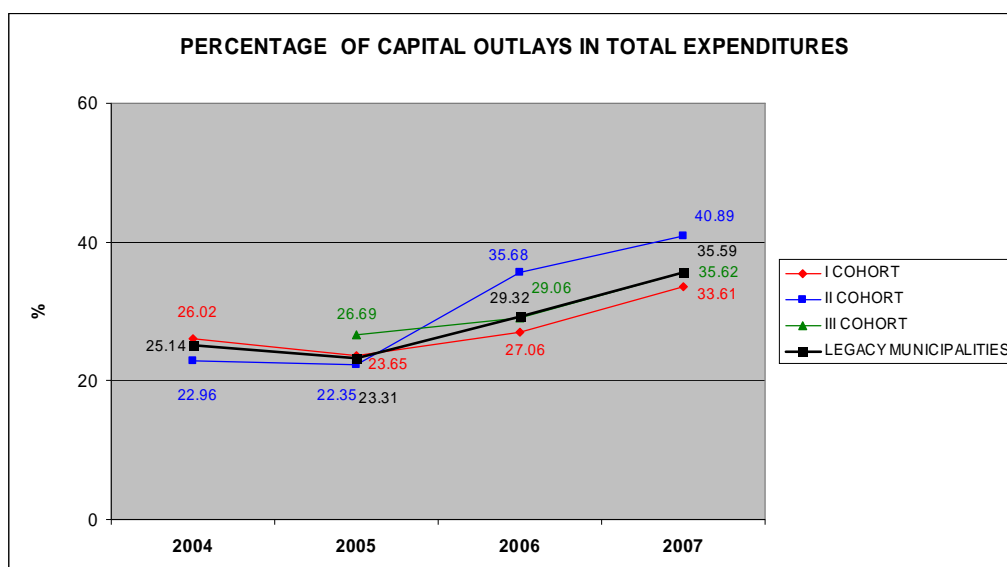


Fig. No. 24

Considering the ratio of capital outlays/operating expenses among all GAP partner municipalities, it is apparent that the ratio was significantly increased, from **0.5** in 2004 to **0.87** in legacy municipalities and **0.95** in new municipalities in 2007 (see Fig. No. 25). This analysis definitely confirms better municipal management planning in favor of their citizens in the last four years. This is especially the case with second cohort municipalities, who increased this ratio to **1.18** compared to **0.49** four years before.

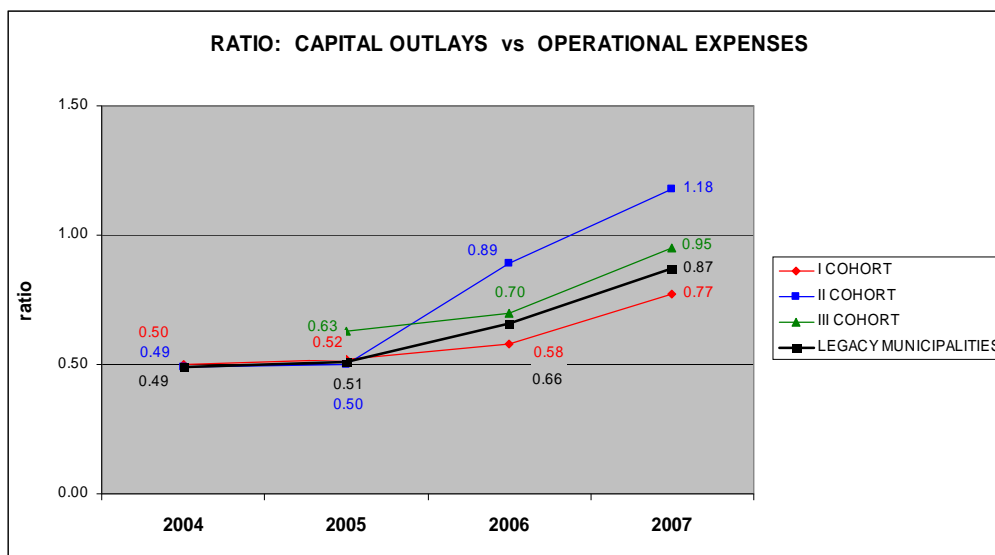


Fig. No. 25

1.3-1 Number of GAP2 municipalities implementing capital improvement plans

Based upon findings from the field, **thirty-four** GAP partner municipalities implement capital improvement plans. Not all municipalities use GAP Methodology.

First cohort municipalities that implement capital improvement plans are: Banja Luka, Mrkonjić-Grad, Sanski Most, Velika Kladuša, Jablanica, Prozor-Rama, Ljubuški, Tomislavgrad, Novo Sarajevo, Breza, Rogatica, Goražde, Tuzla, Lopare, Srebrenica, Vlasenica and Vukosavlje.

Among the second cohort, the following municipalities implement capital improvement plans: Bužim, Gradiška, Srbac, Bugojno, Konjic, Nevesinje, Posušje, Kakanj, Rudo, Travnik, Vogošća, Čelić, Doboj-Istok, Gradačac and Kalesija.

Bosanski Petrovac is the only municipality among new partners, that implement capital improvement cycle.

1.3-2 Number and amount of grants (i.e. “co-financing”) awarded to municipalities through CIP or similar existing bodies

GAP (phase 2) has not awarded any grant to any municipality. This performance indicator will be surveyed through life of project every six months.

1.3-3 Number of applications submitted to CIP or similar bodies for capital improvement projects (disaggregated by categories)

CIP or similar bodies in legacy municipalities received 2245 applications for financing capital projects in last six months. Majority of proposals came from three main sources: Local Communities (MZs) 55,5 percent, municipalities themselves 12,87 percent and individuals 10.29 percent. The remaining (21.34 percent) are coming from different sources (NGOs, schools etc).

There were no proposals or applications in municipalities of third cohort in last six months, since almost all of them do not have CIP or similar bodies.

2.1-1 Number of GAP partner municipalities that actively participate in advocacy process for policy reform

The methodology for survey of this performance indicator is reviewing and analysis of Municipal Capacity Index (MCI) indicator's 4.1 findings. The title of this MCI indicator is "Municipality is Actively Participating in Process of Policy Reform". GAP Policy Team established the following criteria and ranked each GAP partner municipality according to them. The criteria are as follows:

- (0) points if the municipality is taking no steps/actions in the area of policy reform;
- (1) point if the municipality is aware and has knowledge about local government development strategy;
- (2) points if the municipality participates in data gathering for specific policy changes/proposals;
- (3) points if the municipality participates in formulating policy priorities;
- (4) points if the municipality submits specific policy/legislation proposals;
- (5) points if the municipality actively participates in promotion and/or advocacy of policy/legislation.

According to the displayed criteria, in process of monitoring and evaluation, the municipalities that have been given three, four or five points were considered as municipalities that actively participate in advocacy process for policy reform.

Based upon this approach, **thirty-seven (37)** GAP partner municipalities (out of fifty-six) actively participate in advocacy process for policy reform; sixteen municipalities from the first cohort, fourteen from the second cohort and seven from the new cohort. Only Tuzla municipality won five points. However, fourteen municipalities showed very active participation (4 and 5 points). These municipalities are Banja Luka, Bihać, Mrkonjić-Grad, Mostar, Tomislavgrad, Novo Sarajevo, Goražde, Tuzla, Bužim, Foča, Kakanj, Gradačac, Cazin and Visoko. The findings are the same as in the baseline report.

2.1-2 Number of GAP partner municipalities that are actively involved in the work of municipal associations

The methodology for survey of this performance indicator is reviewing and analysis of Municipal Capacity Index (MCI) indicator's 4.2 findings. The title of this MCI indicator is "Municipality is

Actively Involved in the Work of Municipal Association. GAP Policy Team established the following criteria and ranked each GAP partner municipality according to them. The criteria are as follows:

- (0) points if municipality has taken no steps towards its involvement in the work of the municipal association in the past year;
- (1) point if the municipality is paying its membership fee;
- (2) points if municipality showed interest in and response to association activities;
- (3) points if municipality actively participates in policy design;
- (4) points if municipality takes specific initiatives/actions towards improvement of association capacities and policy changes;
- (5) points if municipality actively participates in advocacy and promotion of association policies.

According to the displayed criteria, in process of monitoring and evaluation, the municipalities that have been given three, four or five points were considered as municipalities that are actively involved in the work of municipal associations.

Based upon this approach, **thirty-five (35)** GAP partner municipalities (out of fifty-six) are actively involved in the work of municipal associations; fifteen municipalities from the first cohort, fourteen from the second cohort and six from the new cohort. However, nine municipalities showed very active involvement (5 points). These municipalities are Banja Luka, Mostar, Tomislavgrad, Goražde, Tuzla, Bužim, Foča, Kakanj and Cazin. The findings are the same as in the baseline report.

2.1-3 *Number of reforms independently drafted and proposed by associations to cantonal, entity and state governments*

Considering the targeted activities related to this performance indicator specified in the Performance-Based Monitoring Plan for year 1, the following activities have been achieved:

- 1) Associations to draft and propose number of amendments to the draft Law on Cadastre that has entered parliamentary procedure in February 2008; ■
- 2) Associations to draft and propose the Law on Status of Employees in Local Self-Government Units and the Law on changes of the Law on Governance Organization; ■
- 3) RS municipal association proposed changes and amendments to the RS Law on Local Self-government and forwarded it to the RS Ministry for LSG and RS government; ■
- 4) Definition of an initial list of policy priorities; □
- 5) Draft policy agenda developed with GAP assistance; □
- 6) Advocacy strategy for policy goals developed with GAP assistance; □
- 7) Draft of the Code on Intergovernmental Cooperation with GAP assistance. ■

Municipal associations were introduced to the process of development of policy priorities and policy analysis, through workshops held for members of the working boards in Vogosca (16th September) and Banja Luka (15th October) and Research and Advocacy Toolkit designed for their use. Based on that knowledge they will continue their work on defining policy priorities, policy agenda and advocating strategy.

No reforms envisaged by WP in CY 2008.

2.2-1 Legislative reforms enacted that allow for electronic document processing

One of two targeted activities for CY 2008 in this regard was done.

- 1) Analysis of the issues concerning electronic documents processing produced ■
- 2) Produce a draft legislative proposal to the municipal associations related to the electronic documents processing □

Also, several meetings with CIPS representatives discussing establishing a digitally certified electronic registry of citizens were held. GAP is directly named as a reference and lead agency for GAP municipalities.

No reforms envisaged by WP in CY 2008.

2.2-2 Legislative reforms enacted that allow for transfer of vital records between municipalities

GAP Policy Team produced Analysis of Legislative Barriers Related to the Transfer of Vital Records between Municipalities, that was targeted activity for CY 2008.

- 1) Analysis of legislative barriers related to the transfer of vital records between municipalities produced ■
- 2) Draft technical and legal solutions for vital records transfer between municipalities □

BiH Council of Ministers recently adopted a decision suggesting that entity, cantonal and local authorities establish a digitally certified electronic registry of citizens by January 1, 2010, effectively allowing for transfer of vital records among municipalities. GAP held intensive meetings with CIPS representatives, discussing best possible technical solutions regarding vital records sharing.

No reforms envisaged by WP in CY 2008.

2.2-3 Number of partner municipalities processing documents electronically

Based upon the list received from RS LSG Ministry, thirty-nine out of sixty-two municipalities in the RS enter the data electronically. These municipalities are Banja Luka, Bijeljina, Bratunac, Čelinac, Derventa, Doboj, Gacko, Gradiška, Kalinovik, Kneževo, Dubica, Laktaši, Lopare, Milići, Modriča, Mrkonjić Grad, Nevesinje, Bosanski Novi, Pale, Petrovo, Prijedor, Prnjavor, Ribnik, Rogatica, Rudo, Sokolac, Srbac, Foča, Srebrenica, Bosanska Kostajnica, Bosanski Brod, Ustiprača, Šamac, Teslić, Trebinje, Trnovo, Vlasenica, Vukosavlje and Zvornik.

Seventeen of mentioned municipalities are GAP partner municipalities, fourteen GAP legacy municipalities and three new partner municipalities.

In Federation of Bosnia and Herzegovina, the following municipalities process documents electronically: Bihać, Bosanska Krupa, Bosansko Grahovo, Breza, Bugojno, Bužim, Cazin, Čelić, Centar Sarajevo, Drvar, Doboj Istok, Domaljevac, Donji Vakuf, Fojnica, Goražde, Gornji Vakuf-Uskoplje, Gračanica, Gradačac, Hadžići, Ilidža, Ilijaš, Jablanica, Jajce, Kakanj, Kalesija, Kladanj, Konjic, Livno, Ljubuški, Lukavac, Maglaj, Mostar, Novi Grad Sarajevo, Novo Sarajevo, Novi Travnik, Odžak, Orašje, Posušje, Prozor-Rama, Sanski Most, Sapna, Srebrenik, Stari Grad Sarajevo, Tešanj, Tomislavgrad, Travnik, Trnovo, Tuzla, Usora, Velika Kladuša, Vogošća, Zavidovići, Žepče and Živinice.

In total, the situation is as follows:

RS: 39 out of 62

FBiH: 54 out of 80

BiH: 93 out of 142

Considering GAP partner municipalities only, 49 out of 56 municipalities process documents electronically.

GAP, through the FBiH municipal association and the RS Ministry for Local Self-Governance, surveyed municipalities and found that by sometime next year 117 out of 142 will have the capacity to process records electronically.

2.2-4 Number of partner municipalities transferring vital records to other municipalities

No GAP partner municipalities transfer vital records to other municipalities.

2.3-1 Number of activities/reforms proposed in process to increase local autonomy

The following activities were targeted to be completed in CY 2008 by GAP Policy Team. Black square means that activity has been completed.

- 1) Establishment of list of policy priorities ■
- 2) Action Plan for the implementation of the Law on LSG in FBiH developed □
- 3) A draft report on Municipal Property issues produced □
- 4) Expenditure Reporting Format produced □
- 5) Training in costing of functions provided to Ministries of Finance ■
- 6) Draft the Law on Status of Employees in Local Self-Government Units and the Law on changes of the Law on Governance Organization ■
- 7) Draft of the Code on Intergovernmental Cooperation with GAP assistance. ■

The Coordinating Committee for implementation of the LSG Law in FBiH held its first meeting on 29 September. It was chaired by the FBiH Minister of Justice with all of ten cantonal ministries of justice

represented, and also with Municipal Association, FBiH Parliament Committee on LSG, OSCE, and a Council of Europe. The committee agreed to establish four working groups covering administration, property, social affairs, and finance. Each working group will produce a list of policy priorities, which be organized into an action plan for the implementation of the LSG Law.

GAP is in the process of querying municipalities for Report on Municipal Property.

The GAP Policy Team targeted reform in CY 2008 is “Law on Real Rights in RS adopted”. Municipal association will address draft Law on Real Rights through the work of its Board. With help of GAP they will form opinion on draft Law and present it to the RS National Assembly.

2.3-2 Percentage of total public sector revenue accruing to the municipal sector

Two different sources were used in this analysis – the Ministries of finances GIB’s and the Central Bank data for BiH level and Brčko District to get the following data. The grants from other levels of government and social funds have been excluded in this analysis.

Revenues BiH in 2007	885,000,000 KM
Revenues FBiH in 2007	3,767,921,944 KM
Revenues RS in 2007	1,928,668,125 KM
Revenues BD in 2007	242,000,000 KM
Revenues of municipalities in 2007	1,075,926,434 KM
Total	6,823,590,069 KM
Participation of municipalities in total public revenues in BiH	15.77%

Table No. 1

3.1-1 Number and amount of loans secured by municipalities to finance capital improvement projects

GAP partner municipalities took nine loans in last six months, amounting more than 34.5 million KM. Banja Luka City got three new loans, more than 23.5 million KM in last six months. The survey conducted by GAP Capital Team showed that all GAP partner municipalities took sixty-six loans, totaling **120,704,141.44 KM**. Average loan amount of partner municipalities is approximately 1.82 million KM. However, average debt amount among RS partner municipalities is around 4.7 mil KM and among Fed BIH, about 1.25 mil KM. Seventeen out of fifty-six municipalities have no loan to pay off right now.

Among GAP partner municipalities, just Banja Luka took eight loans totaling more than 38 mil KM, almost one third of total GAP partner municipalities debt. Nine commercial and development banks gave loans to GAP partner municipalities. The biggest number and amount of loans to GAP partner municipalities were provided by Hypo Alpe Adria Bank, thirteen loans, totaling more than 22.5 mil KM or 19 percent total GAP partner municipalities’ debt.

The next table displays total amount of loans given to partner municipalities.

	FED (KM)		RS (KM)		TOTAL (KM)	
	by April 1,2008	by Oct 1,2008	by April 1,2008	by Oct 1,2008	by April 1,2008	by Oct 1,2008
I COHORT	24,825,277.21	31,325,277.21	24,321,921.35	48,652,679.70	49,147,198.56	79,977,956.91
II COHORT	4,946,932.91	4,946,932.91	19,477,330.26	20,077,330.26	24,424,263.17	25,024,263.17
III COHORT	10,835,739.36	11,185,739.36	1,716,182.00	4,516,182.00	12,551,921.36	15,701,921.36
GAP	40,607,949.48	47,457,949.48	45,515,433.61	73,246,191.96	86,123,383.09	120.704,141.44

Table No. 2. Loans taken by GAP partner municipalities

3.2-1 *Number of GAP partner municipalities engaging STTA*

Nineteen municipalities (comparing to seven from previous reporting period) partner municipalities engaged external STTAs for specific issues and paid their services in last six months. The issues very mainly related to ISO certification and training, as well as for Application for EU Precession Funds. As level of effort in last six months, they engaged 301 consultancy days (compared to fifty-seven from previous six months) for training and other purpose. The participation in trainings provided is measured by 1435 men-days (compared to 295 in previous reporting period).

However, municipalities also received significant consultancy assistance and training by regional development agencies (ARDA, REDAH, SERDA, NERDA, REZ) and municipal associations on different municipal development topics. They did not directly engaged this consultancy services, however, municipalities financially contribute in work of such agencies and associations. In these regard it was provided to municipalities 8 consultancy days of training, with 8 men-days in participation by municipal employees.

3.2-2 *Number of GAP partner municipalities actively mentoring new or non-GAP municipalities*

Six GAP partner municipalities provided mentoring and technical assistance services or knowledge exchange to other eighteen BiH municipalities. Majority of the assistance was related to the Citizens Service Canters' issues and some to managing of the local economic development and budget planning.

The GAP partner municipalities that provided assistance to other municipalities in last six months in BiH are Bihać, Velika Kladuša, Ljubuški, Tomislavgrad, Trebinje and Teslić.

3.3-1 *Number of GAP municipalities (municipal councils, women's' NGOs, committees etc.) that received training in gender budgeting and capital improvements and report the value of received trainings*

No partner municipalities received training in gender budgeting and capital improvements by GAP so far.

Municipal Capacity Index (MCI)

The *Municipal Capacity Index (MCI)* is a weighted index that measures the performance of participating municipalities in four 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 0-100 for each municipality.

The MCI utilizes the main goals of the project with regard to activities in the program municipalities to develop four categories of indices totaling 100 points. For GAP, these categories relate to the achievement of improved service delivery by local government, improved interaction between citizens and local government, financial management, revenue generation, improvement of municipal capacity in administering capital improvement projects and policy matters with an emphasis on improvement in the local governance environment. The categories suggested for consideration and discussion for GAP are as follows:

- Municipal Service Delivery;
- Municipal Administrative, Budgeting and Financial Management;
- Capacity of Municipalities to Administer Capital Improvement Projects; and
- Policy and Accountability.

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 toward compliance have been taken, or the concepts better integrated, or with a view toward longer term planning; four points - citizen feedback is incorporated into the reform or a more formal and comprehensive procedure has been adopted; five points - municipality has reached the ideal level, the 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 a 5 point rating.

MCI data are used to evaluate project success by region, by category and over time. Data from partner municipalities are 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. GAP specialists in specific fields of expertise awarded a rating to municipalities in these specific fields, and the M&E Specialist did data analysis and processing.

Assuming that a municipality has the necessary commitment to reform, achievement of results as measured by the MCI will largely be a function of successful implementation of GAP's work plan. Thus, the MCI is an excellent measure of project performance. The MCI will also be used to give each municipality a report scorecard on its progress towards reform. MCI data will also be compared to

citizen survey results (though not combined) to see if objectively measured municipal capacity changes are having the expected impact on subjective citizen perceptions.

Municipal Capacity Index (MCI) Findings

Important findings are also available from monitoring of the GAP municipal capacity index (MCI). The new Municipal Capacity Index has been developed for the phase two of the project, fully adjusted to the expectations and goals specified for the project. The evaluation of the municipalities in specific fields of expertise is done by GAP specialists in their field of expertise now, so objectivity of this process has been improved.

The first regular MCI measurement shows that the situation is very similar to the baseline survey with very slight improvement. More significant increase on MCI index is expected in next year, especially with third cohort municipalities. Legacy municipalities' composite MCI Index is increased from 54.0 to **52.6** out of 100. New partner municipalities also recorded a modest improvement from an average MCI **31.4 to 31.7 points**, so currently composite GAP MCI is **48.1**

A new control group of nine municipalities (that are not GAP partner municipalities) has been established for comparisons of progress through time. Their average MCI was dropped from 37.9 to **36.3**

The biggest MCI scoring was recorded in Banja Luka (**71 points**), Novo Sarajevo and Tuzla (**70 points**) and the lowest in Ribnik from new cohort of municipalities - 21 points.

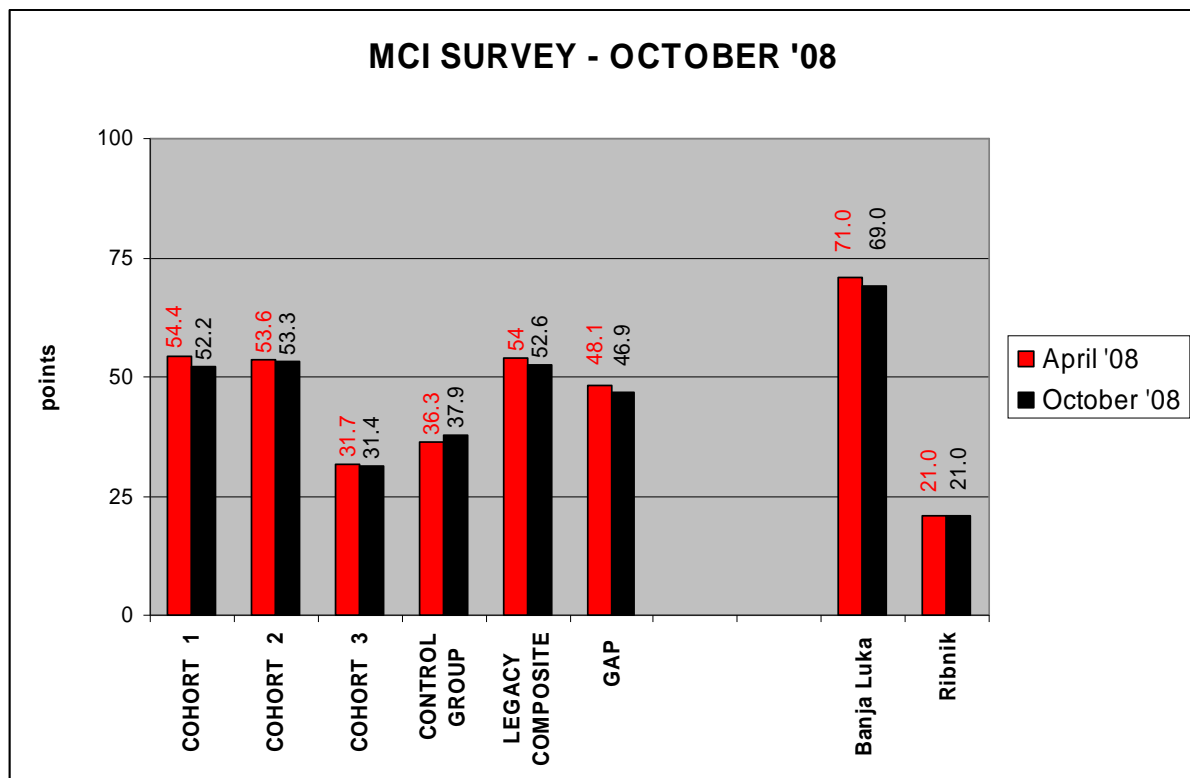


Fig. No. 26