



Governance Accountability Project
Projekat upravne odgovornosti

P-BMP AND MCI REGULAR SURVEY REPORT

GOVERNANCE ACCOUNTABILITY PROJECT, PHASE II

April 2011

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Koninkrijk der Nederlanden

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
Introduction	4
P-BMP and MCI Survey Timeframe and Participants	4
Performance-Based Monitoring Plan (P-BMP)	4
Municipal Capacity Index (MCI)	4
Performance Indicators' Data	5
1.1-1 <i>Number of complaints made by citizens regarding municipality issues and</i>	5
1.1-2 <i>Proportion of complaints submitted to municipalities resolved</i>	7
1.1-3 <i>Municipality is more responsive to delivering services to the public</i>	10
1.1-4 <i>Percentage of citizens satisfied with municipal services delivery and</i>	10
1.1.5 <i>Percentage of citizens satisfied with communal services in selected municipalities</i>	10
1.2-1 <i>Number of municipalities that have modern, formalized and integrated budget and finance systems in place and efficiently used</i>	10
1.2-2 <i>Percentage change in municipal own-revenue generation (non-tax revenues) adjusted for inflation and</i>	11
1.2-3 <i>Rate of collection for each major revenue source and</i>	11
1.2-4 <i>Ratio of capital outlays to operating expenditures</i>	11
1.2-5 <i>Selected municipalities fully understand program budgeting principles and clearly demonstrate their willingness to continue work on full implementation of program-budgeting principles</i>	11
1.2-6 <i>Number of municipalities that developed program/performance budget proposal with at least one service/program</i>	11
1.3-1 <i>Selected municipalities are better able to implement the principles of modern urban planning to make better decisions on local development priorities</i>	11
1.3-2 <i>Selected municipalities demonstrated substantial improvements in addressing implementation of youth-related policies</i>	11
1.3-2 <i>Selected municipalities demonstrated substantial improvements in addressing implementation of youth-related policies</i>	11
1.4-1 <i>Number of GAP2 municipalities implementing capital improvement plans</i>	12

1.4-2	<i>Number and amount of co-financing programs awarded to municipalities through CIP or similar existing bodies</i>	12
1.4-3	<i>Number of applications submitted to CIP or similar bodies for capital improvement projects (disaggregated by categories)</i>	12
2.1-1	<i>Number of GAP partner municipalities that actively participate in advocacy process for policy reform</i>	12
2.1-2	<i>Number of GAP partner municipalities that are actively involved in the work of municipal associations</i>	13
2.1-3	<i>Number of activities/ reforms done to enable clear communication and cooperation between municipalities and higher level of governments</i>	14
2.2-1	<i>Number of activities taken to allow transfer of vital records between municipalities</i>	14
2.2-2	<i>Number of partner municipalities that adjusted their internal procedures and technical capabilities to enable external e-documents processing</i>	15
2.2-3	<i>Number of municipalities that exchange electronically vital records and other documents through IDDEEA</i>	15
2.3-1	<i>Number of activities/reforms proposed in process to increase local autonomy</i>	15
2.3-2	<i>Percentage of total public sector revenue accruing to the municipal sector</i>	15
	Municipal Capacity Index (MCI)	16
	Municipal Capacity Index Findings (MCI)	17

Appendixes (CD)

Appendix A **Performance-Based Monitoring Plan (P-BMP)
Spreadsheets (51 Tables- A4)**

Appendix B **Municipal Capacity Index (MCI)
Spreadsheets (10 Tables-A3)**

EXECUTIVE SUMMARY

The sixth regular P-BMP and MCI Regular Survey was conducted in April and May 2011 and covers period October 1, 2010 - March 31, 2011. Majority of GAP technical staff participated in data collection. Significant amount of different data was collected. Data were analyzed, processed and reported by GAP M&E Director.

In general, the measures show a continuation of the progress we have come to expect across all GAP municipalities. However, this survey is last survey for legacy municipalities and final results are displayed in the report. Nevertheless, below are some highlights for the legacy municipalities:

I cohort municipalities:

- Number of complaints decreased by 20 percent;
- Percentage of complaints resolved increased from 24 to 62 percent now;
- Efficiency in providing municipal services increased by three times according to the Municipal Services Efficiency Index;
- Delivery time for vital records decreased from 32 minutes to 4.3 minutes or reduced by almost eight times.

II cohort municipalities:

- Number of complaints decreased by 60 percent;
- Percentage of complaints resolved increased from 31 to 47 percent now;
- Efficiency in providing municipal services increased by 50 percent according to the Municipal Services Efficiency Index;
- Delivery time for vital records decreased from 18 minutes to 4.7 minutes or reduced by almost four times.

All legacy municipalities increased their composite MCI rating by 29 percent!

Municipal Capacity Index also shows improvement among new municipalities:

- Third cohort municipalities **65.1** - an increase by 213 percent vs. baseline;
- Fourth cohort municipalities **58.3** - an increase by 217 percent vs. baseline.

Fifty eight (58) municipalities (vs. forty-eight in last reporting period) GAP partner municipalities implement capital improvement plans using CIP methodology.

GAP activities in policy reform are also sustainable and continues. It is usually slow and difficult process, especially in country like Bosnia and Herzegovina is. Fifty-one (51) GAP partner municipalities (out of seventy-two) actively participate in advocacy process for policy reform and are actively involved in the work of municipal associations versus thirty-five along the baseline survey.

Based upon data presented in this Report, GAP is archiving tasked results. Majority of targets specified by P-BMP itself have been successfully archived or even significantly overcome. Findings in this survey show sustainability of achievements and results made among legacy partner municipalities. Both third and fourth cohort municipalities have made significant improvements in many areas in last six months. All partner municipalities have modern and efficient Citizens' Service Centers. Data form P-BMP, MCI and attitudinal survey tell the consistent story about these achievements. Detailed findings on each performance-indicator that confirm GAP achievements are presented in further text of this report.

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 sixth 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 April 1 to April 30, 2011. Data processing and analysis took place in the first half of May 2011. 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-Based 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.

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 of number of points for each municipality.

Performance Indicators' Data

1.1-1 Number of complaints made by citizens regarding municipality issues and

1.1-2 Proportion of complaints submitted to municipalities resolved

Data for these performance indicators are collected since the project beginning. Since, the technical assistance ended to legacy municipalities after the third project year according to the Core Contract, the data presented below are the final data for legacy municipalities. GAP will not survey these performance indicators for legacy municipalities anymore, however will continue monitoring process for third and fourth cohort municipalities in this regard.

The figures with blue lines show the number of complaints and appeals made by citizens in partner 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

The data presented in diagrams with red line represent the percentage of complaints resolved. These data are also 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 citizens' services and improved accountability of local governments. Any of the results related to these performance indicators should not be interpreted separately, however rather making conclusions based upon the trends through period of time simultaneously.

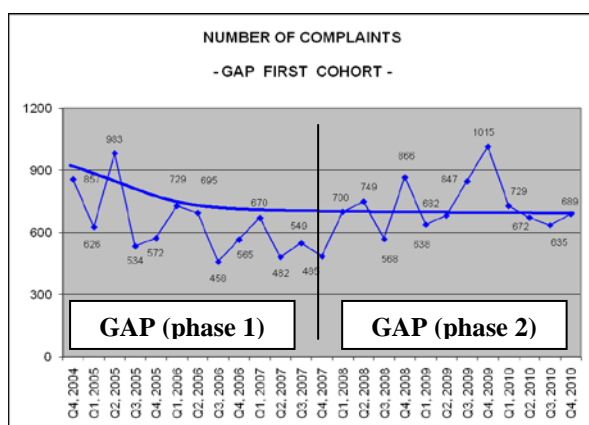


Fig. No. 1

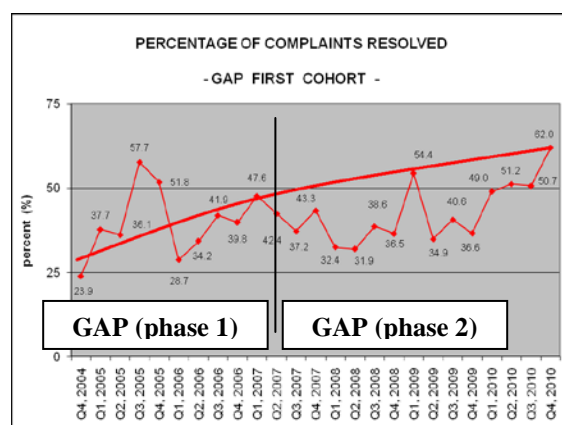


Fig. No. 2

Diagrams show that number of complaints among first cohort municipalities was reduced by twenty percent, however and more important, the percentage of complaints resolved was increased by thirty-eight points or was increased from low 23.9 percent to 62 percent now. This is the most favorable scenario that reflects significant efforts in improving municipal services and accountability by first cohort partner municipalities and GAP project.

Similar situation is with second cohort municipalities as well. These municipalities reduced number of complaints received by citizens and other clients by 60 percent and increased the percentage of complaints resolved by sixteen points to almost 50 percent. Again, this is the most favorable scenario

that reflects significant efforts in improving municipal services and accountability by first cohort partner municipalities and GAP project.

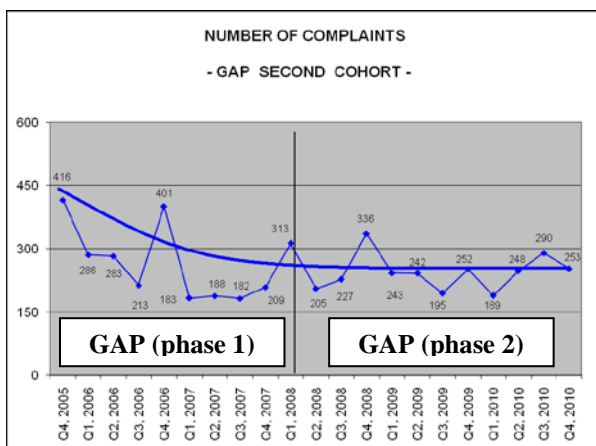


Fig. No. 3

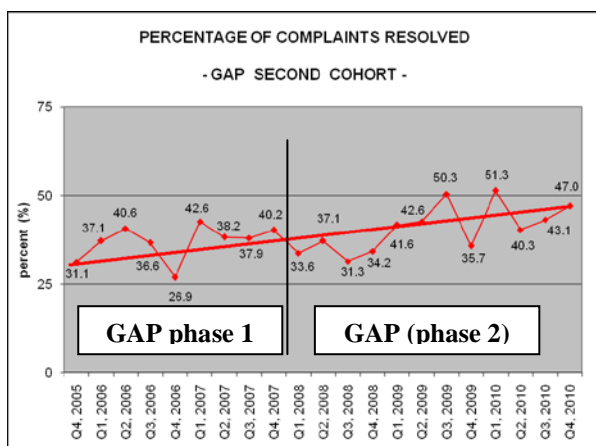


Fig. No. 4

The number of complaints established a downsizing direction and percentage of complaints resolved set up rising direction among fifteen third cohort municipalities (Figures 5 and 6), what is most favorable scenario again. The same situation is with fourth cohort municipalities as well (Figures 7 and 8).

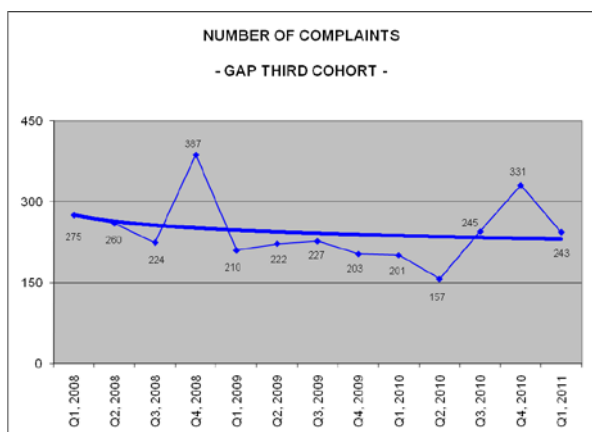


Fig. No. 5

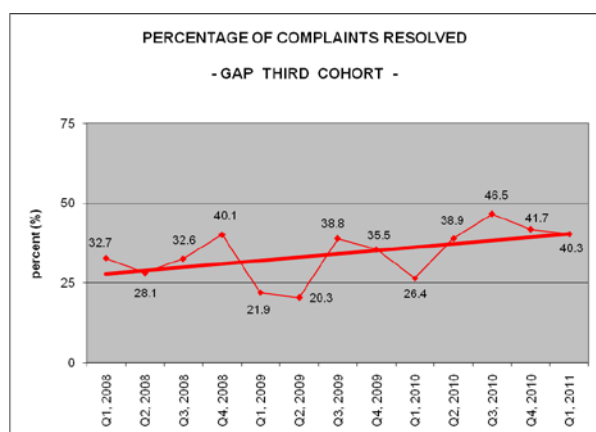


Fig. No. 6

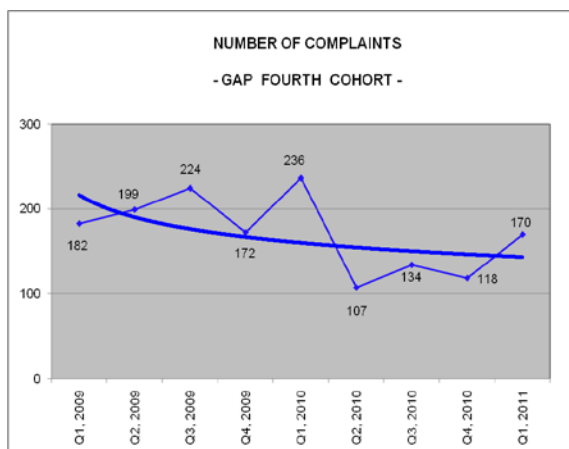


Fig. No. 7

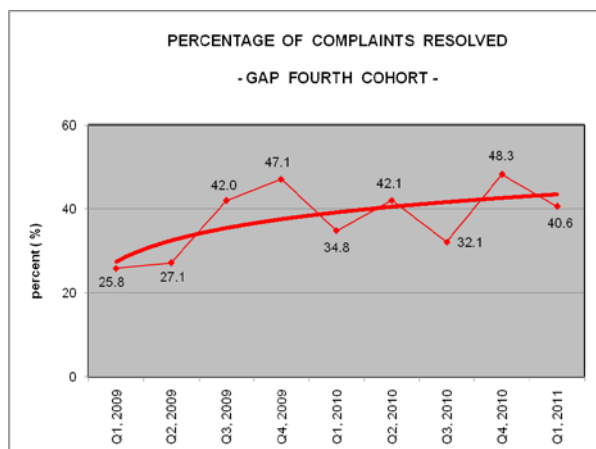


Fig. No. 8

1.1-3 Municipality is more responsive to delivering services to the public

This performance indicator is a measure of service delivery in partner municipalities. 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. Based upon this data, GAP established a Municipal Services Efficiency Index that measures efficiency improvements in providing municipal services.

The following diagram presents the final diagram for first cohort municipalities which shows that efficiency in providing municipal services has been improved by almost three times comparing to baseline data.

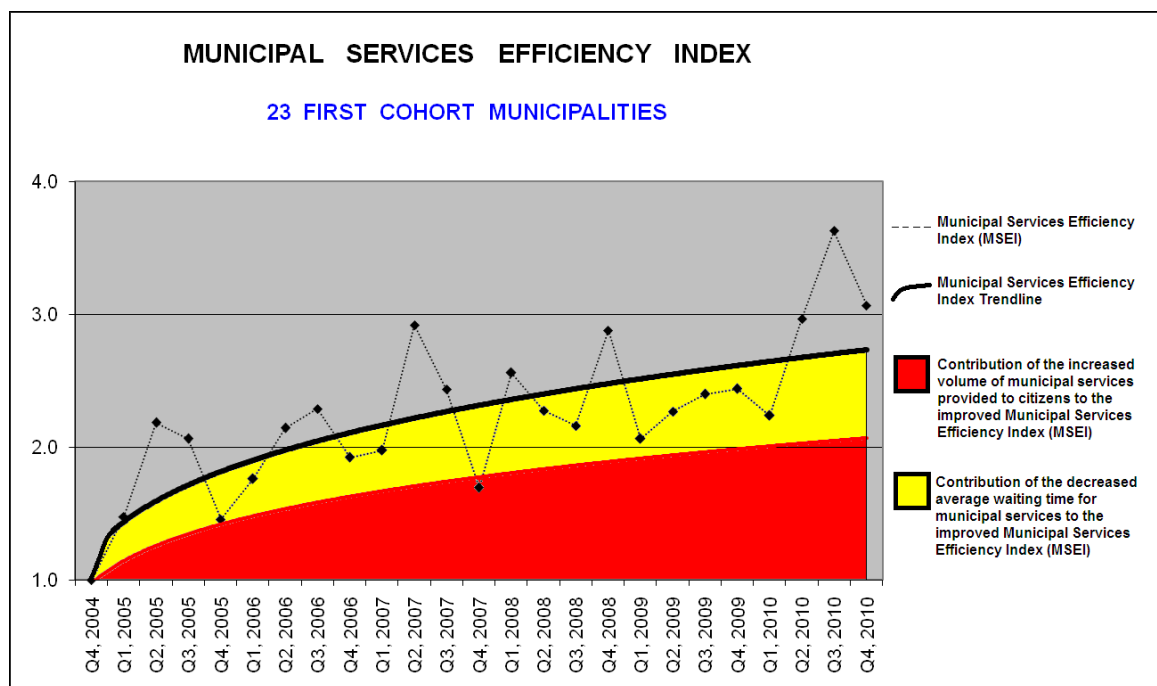


Fig. No. 9

The next picture shows that efficiency in providing municipal services among eighteen second cohort municipalities was increased by more than 50 percent. It is very important to notice that increase in efficiency among legacy municipalities was not just because of just one factor. It happened due to decrease of average time needed for services delivery (yellow area) and due to increase volume of services provided (red area) simultaneously, which is the most favorable scenario again.

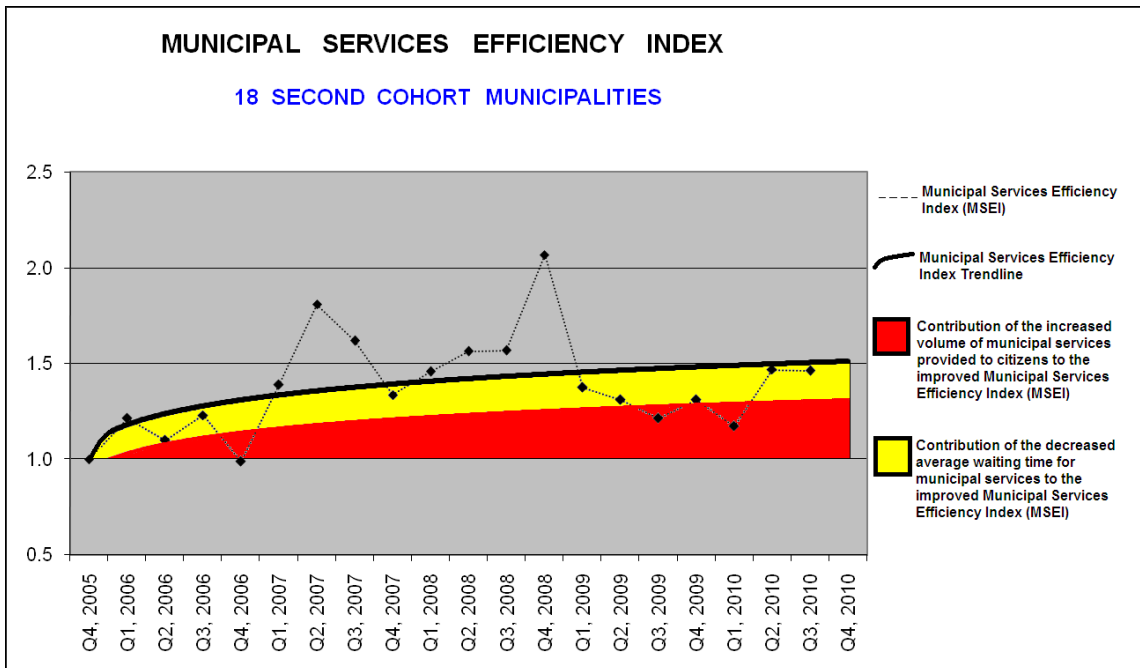


Fig. No. 10

The figure below represents the development of the Municipal Services Efficiency Index among fifteen third cohort municipalities. It is very specific, since stages in improvement of MSEI can be clearly recognized (initial improvement after commencement of cooperation with GAP, construction of the Citizens Service Center and stage after CSC development). The last measurement shows that efficiency in providing municipal services has been increased by almost 50 percent in comparison to baseline in Q1, 2008.

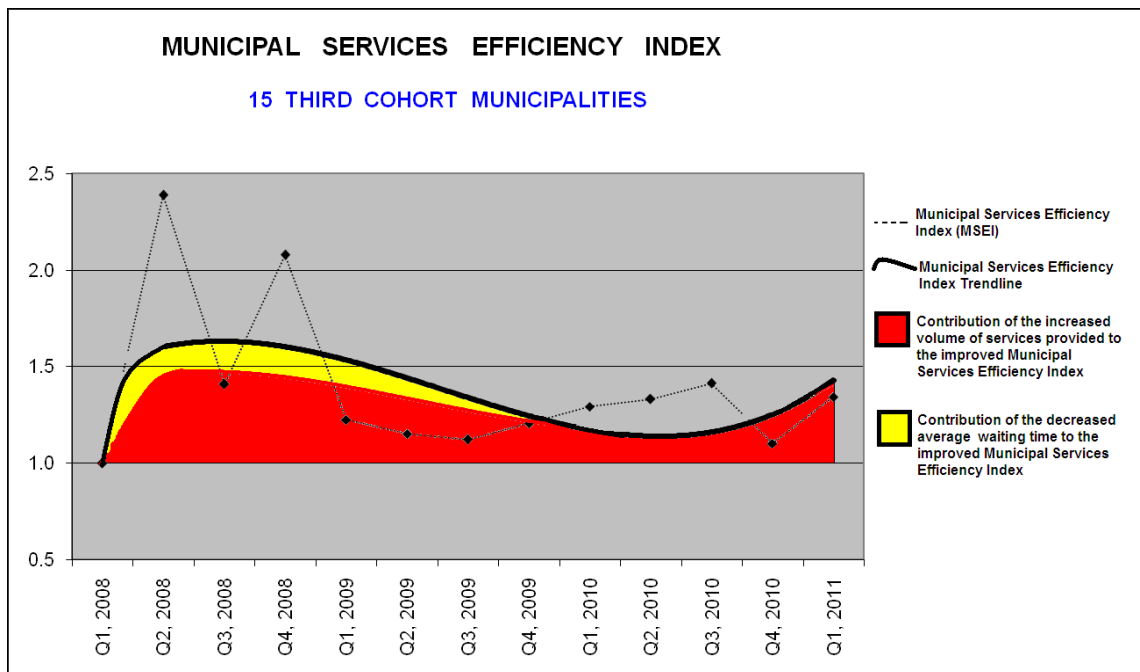


Fig. No. 11

The last figure of this type displays that the newest partner municipalities also increased their efficiency in providing municipal services by almost 40 percent through continuous rise since Q1, 2009.

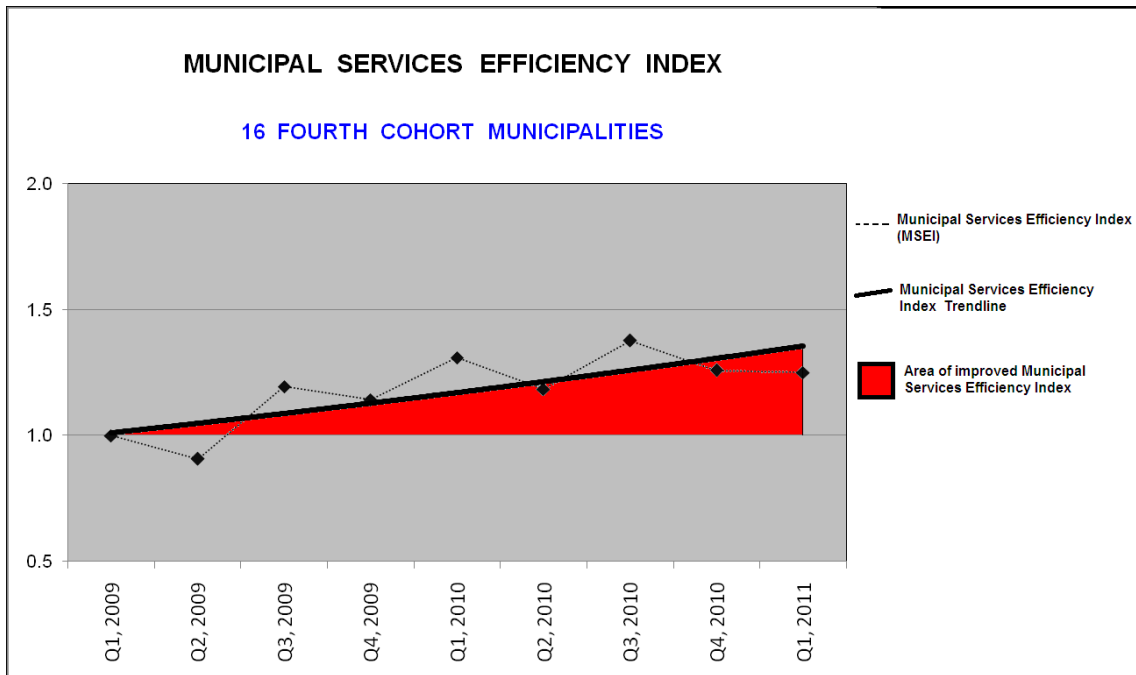


Fig. No. 12

One of the high volume transactions in each municipal citizen service center is issuance of birth, death, wedding and citizenship certificates or commonly called vital records.

The following diagrams show that time for delivering such certificates was decreased to less than five minutes in the last quarterly survey among the legacy municipalities.

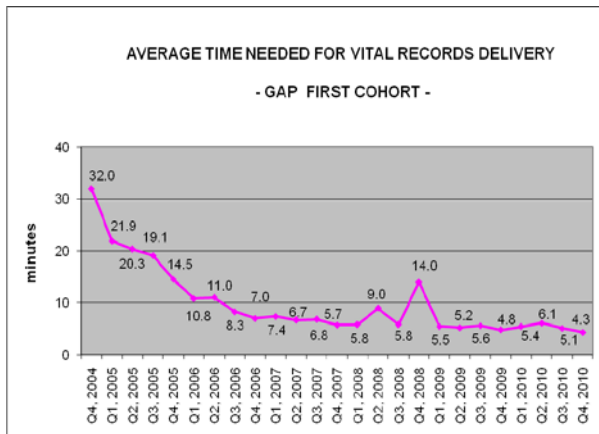


Fig. No. 13

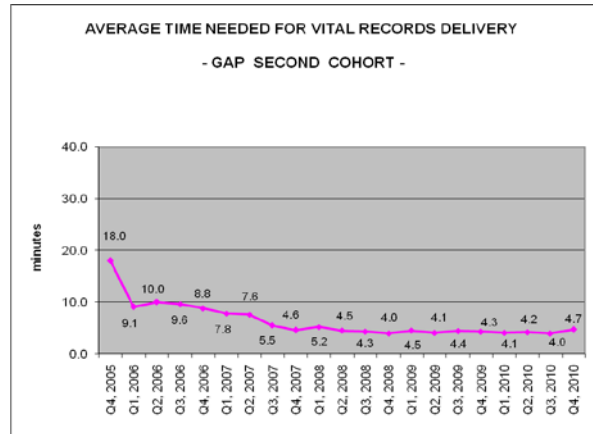


Fig. No.14

Average time for issuance of vital records among the third cohort GAP partner municipalities has been reduced by seventeen times, from two and half hours (151.2 minutes) to nine minutes. Survey among fourth cohort of municipalities showed that they have reduced time for delivery of such certificates to less than seven minutes as well, or more than seventeen times as a result of opening CSCs in these municipalities.

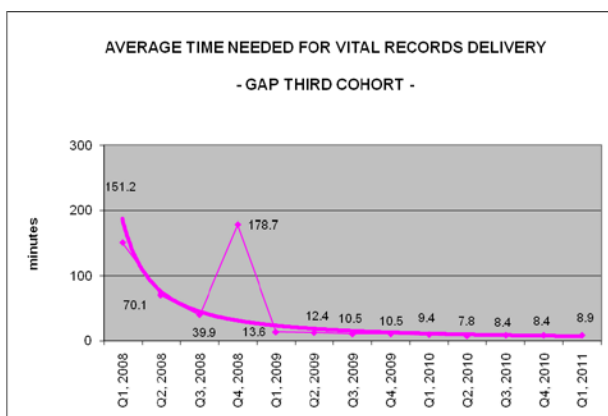


Fig. No. 15

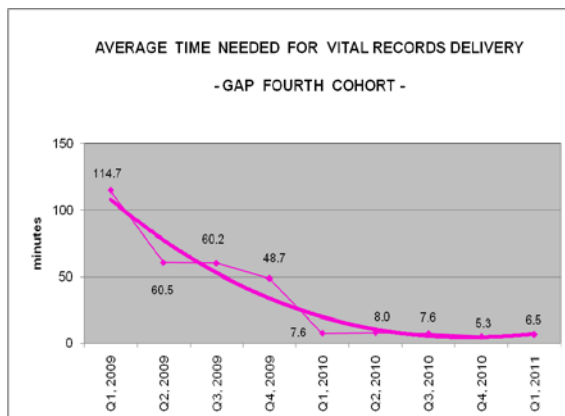


Fig. No. 16

1.1-4 Percentage of citizens satisfied with municipal services delivery

and

1.1.5 Percentage of citizens satisfied with communal services in selected municipalities

The next attitudinal survey for 2011 on these performance indicators will be done in next reporting period.

Important note: The results for performance indicators 1.1-1 to 1.1-5 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 providing appropriate equipment and software

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

The latest survey showed that fifty-four (54) GAP partner municipalities have got installed IABS. Among them are eleven fourth cohort municipalities. Forty-three municipalities have Finova XP with all 10 modules installed, while ten municipalities from RS have combined Treasury/Finova XP with three modules and Novo Sarajevo uses Deanet software. Out of these fifty-four municipalities, forty-two of them use the IABS by its full potential (comparing to twenty five one year before). However, thirteen of them do not use it by full potential.

Six municipalities from RS including Banja Luka City operate RS Treasury System only. Twelve municipalities have got financial softwares developed by different sources (e.g. local company) and different levels of capabilities and opportunities.

- 1.2-2** *Percentage change in municipal own-revenue generation (non-tax revenues) adjusted for inflation;*
- 1.2-3** *Rate of collection for each major revenue source*
and
- 1.2-4** *Ratio of capital outlays to operating expenditures*

The next survey related to the above performance indicators will be done in June 2011 and special report on findings will be submitted.

- 1.2-5** *Selected municipalities fully understand program budgeting principles and clearly demonstrate their willingness to continue work on full implementation of program-budgeting principles*

Since, it is newly introduced performance indicator, the baseline survey according to the Municipal Program Budgeting Capacity Index (MPBCI) will be conducted immediately upon the selection of municipalities – probably in June 2011. A special report will be submitted.

- 1.2-6** *Number of municipalities that developed program/performance budget proposal with at least one service/program*

Four municipalities that GAP assisted through core contract fulfilled the requirement specified in the title of this performance indicator. These municipalities are Gradačac, Gračanica, Nevesinje and Sapna. These municipalities have prepared budget proposal for one service/program each, according to the program budgeting principles.

- 1.3-1** *Selected municipalities are better able to implement the principles of modern urban planning to make better decisions on local development priorities*

This is newly introduced performance indicator related the Local Interventions, Task 7, from the Modification of the Contract. This performance indicator will be measured through Municipal Urban Capacity Index (MUCI), that will be designed immediately upon Spatial/Urban Management and Planning Advisor is on board. The baseline survey will be done after the selection of municipalities that assistance in this regard will be provided to. The special report will submitted on baseline survey findings.

- 1.3-2** *Selected municipalities demonstrated substantial improvements in addressing implementation of youth-related policies*

This is also newly introduced performance indicator related the Local Interventions, Task 4, from the Modification of the Contract. This performance indicator will be measured through Municipal Youth Capacity Index (MYCI), that was already designed. The baseline survey will be done after the final selection of municipalities that assistance in this regard will be provided to. The special report will submitted on baseline survey findings.

- 1.3-3** *Selected municipalities improved their compliance with the Law on Gender Equality*

This is also additional newly introduced performance indicator related the Local Interventions, Task 5, from the Modification of the Contract. This performance indicator will be measured through Municipal Gender Capacity Index (MGCI), that was already designed. The baseline survey will be done after the final selection of municipalities that assistance in this regard will be provided to. The special report will submitted on baseline survey findings.

1.4-1 Number of GAP2 municipalities implementing capital improvement plans

Based upon findings from the field, **fifty-eight (58)** GAP partner municipalities implement capital improvement plans using CIP methodology. In addition, fourteen municipalities (Bosansko Grahovo, Drvar, Fojnica, Mostar, Ilijaš, Ribnik, Šipovo, Živinice, Grude, Kneževo, Kostajnica, Kupres, Olovo and Vareš) implement their capital investment plans through CDPCs.

1.4-2 Number and amount of co-financing programs awarded to municipalities through CIP or similar existing bodies

The cross-section of grants awarded to partner municipalities is the same as was in last reporting period. GAP (phase 2) awarded ninety-five (95) infrastructure grants with municipal share to legacy municipalities since the beginning of the second phase of the project. The following table presents total projects value, municipal share and GAP share (see Table 1). It is visible that municipal share is 68.88 % of the total project value.

Number of Grants	Municipal Share (KM)	GAP Share (KM)	Total Projects Value (KM)
95	14,956,420.74	6,754,414.42	21,710,835.16

Table No. 1

The next round of approved grants for third cohort municipalities is expected in next reporting period.

1.4-3 Number of applications submitted to CIP or similar bodies for capital improvement projects (disaggregated by categories)

CIP or similar bodies in partner municipalities received 466 applications for financing capital projects in last six months. Majority of proposals came from two main sources: Local Communities (MZs) - 40 percent and municipalities themselves - 33 percent and the remaining (27 percent) are coming from different sources (NGOs, schools, individuals, public institutions, etc).

These data show, that activities related to municipal capital improvement according to GAP and similar methodologies created very wide participation of citizens through different organizational aspects for creation of common better living conditions on the level of local self-governance.

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, **forty-nine (49)** GAP partner municipalities (out of seventy-two) actively participate in advocacy process for policy reform, which is a significant increase comparing to baseline survey where thirty-seven such partner municipalities were identified.

There are seventeen municipalities from the first cohort, sixteen from the second cohort, seven from the third cohort and nine from the fourth group of municipalities that actively participate in advocacy process for policy reform. During baseline survey Tuzla municipality won five points only. However, Mostar, Tuzla, Konjic and Foča have 5 points rating that displays their very active participation in advocacy process for policy reform.

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, the rating is for one municipality higher than was in previous survey. **Fifty-two (52)** GAP partner municipalities (out of seventy-two) are actively involved in the work of municipal associations versus thirty-five along the baseline survey. There are eighteen municipalities from the first cohort, eighteen from the second cohort, eight from the third cohort and eight from the fourth group of partner municipalities. However, eight municipalities showed very active involvement (5 points). These municipalities are Banja Luka, Mostar, Tomislavgrad, Goražde, Bužim, Foča, Kakanj and Cazin.

2.1-4 *Number of activities/ reforms done to enable clear communication and cooperation between municipalities and higher level of governments*

Policy has been working on the issue of Code for several years now. The first draft of the Code has been developed for a while now and it was based on the original document which was Dutch model. In FBiH, GAP presupposed that code would be enacted by Parliament, and further activities were made contingent on that enactment. It did not happen with the previous Government. The sole reason was a failure by the municipal Association and GAP to persuade the government to introduce the Code into parliament, a failure largely due to the government's paralyzing preoccupation with other issues such as economic crisis and General Elections.

There has been a change of approach regarding this activity due to the Association Assembly decision. At their General Assembly, the FBiH Municipal Association decided that the Code should be one of their major priorities. With this in mind, GAP and the Association decided to incorporate the function and fiscal decentralization policy recommendations into the Code through the annexes. Therefore, GAP has supported the Association's working group (including Association representatives, GAP, and the Parliamentary commission) to develop the final version of the Code. The Code included the following Annexes:

1. General part / Basics
2. Fiscal decentralization
3. Property and natural resources
4. Consultation procedures

The Code Annexes have been drafted and are awaiting the municipal Association Presidency for adoption. The plan is that after the Presidency approval, Code be presented to the FBiH Government (Prime Minister and relevant Ministries) to start the process of negotiation and adoption.

In the RS, implementation of the Code should have supplanted the existing MoU between the Municipal Association and government. To circumvent delays with the Association staff, GAP approached the President directly, who restated his support for the concept and his intention to bring this and other GAP priorities directly to the Presidency as well as to reiterate. GAP is developing final draft in consultation with the Association, and will forward it to the Ministry for comments and adoption. The Code should be implemented as a result of the joint efforts of the Ministry for LSG and the RS Municipal Association. GAP will offer its assistance in this process, based on the input and needs of the government and the Association. This draft will be developed through the working groups, also including representatives of individual ministries and the Association. If supported by the government, the draft will be finalized and formally considered by the RSNA.

The working group has been meeting for several times now, and to move forward a GAP STTA needs to be approved. The STTA will help the WG in finalizing the process which will be followed by negotiation process with the RS Government.

2.2-1 *Number of activities taken to allow transfer of vital records between municipalities*

Due to the General Elections, the legislation related to the vital records was not discussed, and with formation of the new FBiH Gov't the laws are expected to enter the procedure again. Vital Records legislation has been sent to the Parliamentary procedure as an urgent matter.

The newest information during the composition of this report, is that House of Representatives adopted the Law on it session on May 19, 2011.

2.2-2 *Number of partner municipalities that adjusted their internal procedures and technical capabilities to enable external e-documents processing*

The baseline survey showed that no municipalities adjusted its internal procedures and technical capabilities to enable external e-documents processing.

2.2-3 *Number of municipalities that exchange electronically vital records and other documents through IDDEEA*

All BiH municipalities electronically exchange data from vital records with IDDEEA, however no municipalities currently exchange vital records through IDDEEA.

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

Policy has been working intensively on this legislation in the past period, and has managed to finalize the new draft FBiH Law on Forests, due to the Constitutional ruling against the former text. Prior to the BiH General Elections, this draft law was sent to the Parliamentary procedure and has been passed by the FBiH House of Representatives. However, the House of Peoples never met for a session therefore the legislation was not considered. The draft law is expected to be at parliament very soon and needs to pass both Houses (standard PA procedure). In the mean time, GAP policy, together with WG, worked even further on the quality of the text.

The Civil Service law was ruled as unconstitutional by the FBiH Constitutional Court, and Policy together with FBiH municipal Association, Civil Service Agency, and the Ministry for Justice worked on the draft Law on Employees of LSG. The legislation was successfully drafted and supported by all parties involved. It has been marked as a high priority together with the new draft FBiH Civil Service Law, and it is expected to be at the Parliament soon.

FBiH municipal Association with support of GAP Policy drafted changes and amendments to the FBiH Law on Concessions. The Government formed the working group in order to draft new legislation. The draft text has been initially drafted and majority of changes proposed by the Association has been included. The text was discussed at the Parliamentary session held in May 2011, and has been adopted as an draft with the conclusion to be given 60 days for revision and public hearing in order to try and make it even more oriented in favor of local self-governance.

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

The annual data for this performance indicator are usually available in third quarter of the calendar year.

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 serve as a control group from which to assess general reforms that may be occurring unrelated to the project interventions. GAP provides MCI scores every six months. GAP specialists in specific fields of expertise award a rating to municipalities in these specific fields, and the M&E Director does data analysis and processing.

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

However, due to modification of the core contract, which suspended further assistance to partner municipalities to improve their capacity to make educated decisions on municipal borrowing and

better understand of creditworthiness assessments, interest rate determination, loan packaging process and the procedure of public procurement of loans, donors recommended deletion of related MCI indicator.

In this regard, the MCI for fourth project year has been modified to accommodate deletion of the activity related to municipal borrowing as was specified by the Modification of the core contract. That is why, the indicator 2.5 was deleted from MCI. New total sum of the points available is 95 now due to deletion. To enable easier interpretation of the results and comparisons to previous project years, results will be presented as percentage of scored points of maximum 95 points. Please note, that number of points awarded to each municipality for indicator 2.5 has been deleted for each municipality and all results have been recalculated.

It is also important to note, that MCI rating for legacy municipalities will not be done anymore, since this MCI was designed to follow achievements specified in core contract and any assistance to these municipalities according to core contract ended about the end of third project year. Thus the MCI rating for legacy municipalities displayed in this report represents the final MCI rating. Of course, GAP will continue rating of new partner municipalities according to MCI.

Due to specific requirement by the Modification of the Contract, GAP has already developed special capacity indexes for youth, gender, program budgeting and urban planning. GAP will regularly report on findings from these indexes.

Municipal Capacity Index (MCI) Findings

The sixth regular MCI measurement shows a significant increase in rating among GAP municipalities. During the last MCI survey (October 2010), legacy municipalities achieved an average rating of **67.6 percent** of maximum available points, which was increase by almost twenty-nine percent.

This survey showed modest increase in MCI rating for third cohort municipalities by 2 points on average to **65.1**, however, this is more than doubled MCI baseline rating. This is also just three points below the legacy municipalities. Municipalities Cazin and Visoko have the highest MCI ranking among third cohort municipalities (75.8), while Šipovo has the lowest (54.7).

Fourth cohort municipalities recorded the highest rating ever (**58.3**). The municipality with highest ranking among sixteen fourth cohort municipalities is Vitez (68.4). Kneževo has the lowest (49.5). Olovo made the most significant progress in last six months by nine points of increase.

At the same time, control municipalities (without GAP assistance) make steady minor improvement through period of time, however with average ranking significantly below partner municipalities (**40.3**).

GAP MUNICIPAL CAPACITY INDEX (MCI)

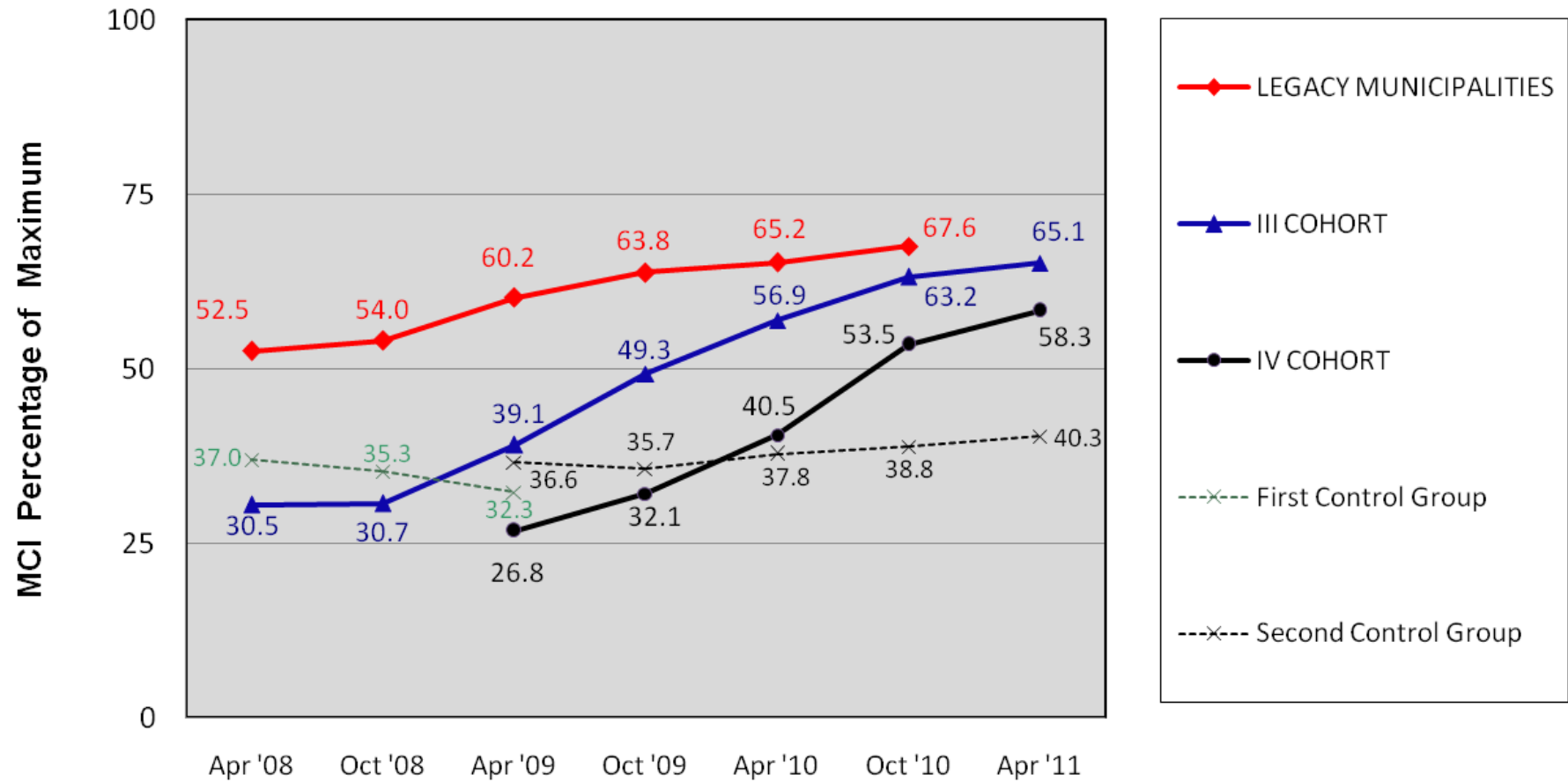


Fig. No. 17