



Governance Accountability Project
Projekat upravne odgovornosti

P-BMP AND MCI REGULAR SURVEY REPORT

GOVERNANCE ACCOUNTABILITY PROJECT, PHASE II

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Koninkrijk der Nederlanden

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EXECUTIVE SUMMARY

The fifth P-BMP and MCI Regular Survey was conducted in October 2010 and covers period April 1, 2010 - September 30, 2010. 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 activities. Project SOW has very clear expected results/deliverables for each GAP component and several of them are fastened for the end of third project year.

Component One, Local Interventions, Expected Results/Deliverables, specifies the following:

- 1) By the end of year three of the project, the legacy GAP "41" municipalities shall demonstrate substantial improvements in areas such as service provision, public utility management, financial management, human resource management, capital planning and procurement. Targets for each municipality shall be defined individually in municipal action plans. Legacy municipalities will register on average a 15% composite improvement in Municipal Capacity Index scores.**

Based upon the findings from P-BMP GAP legacy municipalities significantly increased their efficiency in providing municipal services as measured by Municipal Services Efficiency Index. First cohort municipalities increased their efficiency by two and half times, while second cohort municipalities increased their efficiency by 50 percent. Waiting time for municipal services was reduced, however for some type of services like vital records issuing, waiting time was reduced to 4-5 minutes or five times on average comparing to baseline. At the same time, number of complaints on municipal issues was reduced by 27 percent, while percentage of complaints resolved was increased from 26.2 percent to 48.3 percent (or an increase by 22 points), which displays significantly improved accountability of local governance among legacy municipalities. The final MCI survey for legacy municipalities showed that composite average MCI rating was increased to 68.1 points and was increased by almost thirty percent. In addition, external factors, like citizens also recognized improvements happened in legacy municipalities. The attitudinal surveys showed that citizens' satisfaction with municipal services delivery was increased by almost fifteen percent and general satisfaction is on the level of eighty percent of citizens.

- 2) By the end of the 30th project month, 15 new municipalities will have achieved core service delivery and financial management performance targets bringing them to the average level of the legacy GAP municipalities in the Municipal Capacity Index. New municipalities will demonstrate superior service delivery in a series of objective measures, including reduced waiting times, efficiency improvements and improved financial management. New municipalities will register on average a 20% composite improvement in Municipal Capacity Index scores by the end of the 30th project month.**

Considering third cohort municipalities' results, they have increased their efficiency in providing municipal services as measured by Municipal Services Efficiency Index by forty-one percent. Waiting time for issuing vital records was reduced eighteen times comparing to baseline and is 8 minutes now. At the same time, number of complaints on municipal issues was reduced by 11 percent, while percentage of complaints resolved was increased from 32.7 percent to 46.5 percent (or an increase by 14 points), which displays significantly improved accountability of local governance among these municipalities. The last MCI survey for fifteen third cohort municipalities showed that average MCI rating was increased to 63.3 points or double during the baseline survey in April 2008. In addition, external factors, like citizens, recognized improvements happened in these municipalities as well. The attitudinal surveys showed that citizens' satisfaction with municipal services delivery was increased

by more than eleven percent and general satisfaction is on the level of eighty percent of citizens, the same as among legacy municipalities.

- 3) **By January 2011, an additional 15 new municipalities will have achieved core service delivery and financial management performance targets bringing them to the average level of the legacy GAP municipalities in the Municipal Capacity Index. New municipalities will demonstrate superior service delivery in a series of objective measures, including reduced waiting times, efficiency improvements and improved financial management. The second group of new municipalities will register on average a 20% composite improvement in Municipal Capacity Index scores by January 2011.**

Fourth cohort municipalities have increased their efficiency in providing municipal services as measured by Municipal Services Efficiency Index by thirty-eight percent. Waiting time for issuing vital records was reduced fifteen times comparing to baseline and is below eight minutes now. At the same time, number of complaints on municipal issues was reduced by 26 percent, while percentage of complaints resolved was increased by 7 points. The last MCI survey for sixteen fourth cohort municipalities showed that average MCI rating was increased to 53.3 points or ninety percent of increase comparing to the baseline survey in April 2009 which brought these municipalities on the level higher than baseline level of legacy municipalities. The next attitudinal survey will show citizens' perceptions about improvements done in these municipalities.

In addition, GAP opened 72 Citizens' Service Centers and eighty-six CSC satellite offices in partner municipalities. Fifty-eight (58) GAP partner municipalities implement capital improvement plans using CIP methodology now, which is 10 more than target for 2010. Fifty-three (54) GAP partner municipalities have got installed IABS which enabled more efficient and transparent budget planning and implementation.

However, world economical crises had a devastating effects to municipal budgets in Bosnia and Herzegovina. After two years of very successful results related to the budget performance indicators, the last years findings showed a dramatical drop in results for these performance indicators. Details can be find in this report.

The SOW also has some specified expected deliverables/results for policy component of the project related to the end of year three.

- 1) **By the end of year three, legislative frameworks shall be in place and implemented in both entities to allow for electronic document processing.**

GAP worked strongly on drafting new legislation in order to allow electronic document processing. GAP worked with many relevant stakeholders on this draft including, Ministry of Justice, IDDEEA, and avanced municipalities in this regard. As a result, a new FBiH Law on Electronic Document was drafted. What is left to be done is that the Law enters the Parliamentary procedure and be adopted. This is expected to be done in the first quarter of 2011, which would then fullfill this requirement.

- 2) **By the end of project year three a legal framework shall be in place and will be implemented in both entities to make it possible for the transfer of relevant vital records from one municipality to another in order to lessen administrative burdens on citizens and businesses.**

Since the vital records legislation drafting was done simultaneously with the electronic document processing, the drafting process was the same. This means that the specific working group was formed and worked on draft. As a result new FBiH Law on Vital Records was drafted. The Law was adopted by the FBiH Government, and forwarded to the Parliament under urgent procedure. However, the

legislation was not on the agenda due to the General Elections and the lack of efficiency of the parliament. What is left to be done is that the Law enters the Parliamentary procedure and be adopted. This is expected to be done in the first quarter of 2011, which would then fulfill this requirement.

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. Data from 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 fifth regular semi-annual survey for the project second phase, but using and relaying on existing historical data from the previous phase of the project.

All data were collected from October 1, 2010 to October 29, 2010. Data processing and analysis took place in the first half of November 2010. 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 from 0-100 for each municipality.

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 seventy-two partner municipalities have operational Citizens' Service Centers (CSC), that can fully satisfy citizen requirements and enable easier, more pleasant and professional services. Grude municipality opened the last GAP CSC on June 2010.

Municipal Citizens' Service Centers opened by GAP assistance, that provide the most efficient, convenient, professional and pleasant services serve 2.3 million citizens in BiH or more than 60 percent of entire BiH population.

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

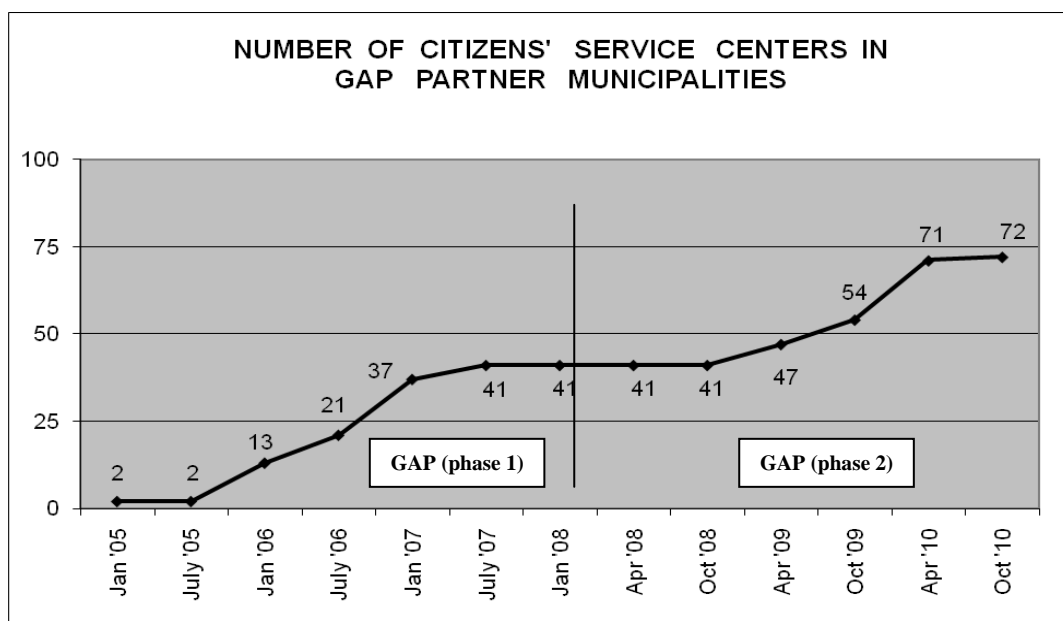


Fig. No. 1

In addition, eighty-six CSC satellite offices have been opened in legacy municipalities by GAP technical and financial assistance as well.

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

1.1-3 Proportion of complaints submitted to municipalities resolved

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,
- social welfare,
- construction permits,
- infrastructure,

- business permitting,
- property related issues,
- municipal inspections,
- other issues.
- 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.

The following diagrams show that trendlines for number of complaints decrease among all cohorts of municipalities and that percentage of complaints resolved increases among all partner municipalities at the same time. This is the most favorable scenario that reflects significant efforts in improving municipal services and accountability by partner municipalities and GAP project.

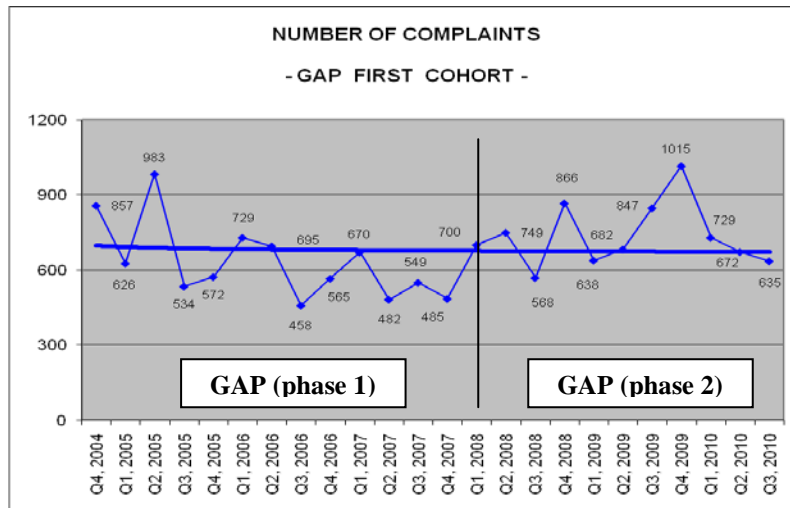


Fig. No. 2

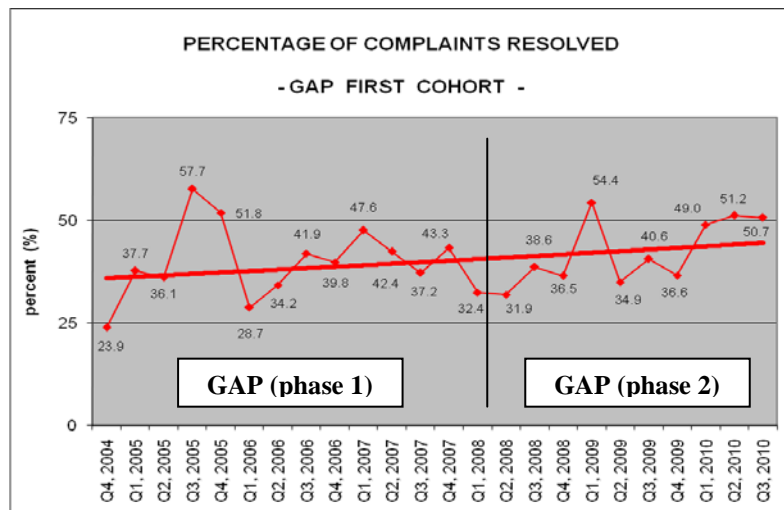


Fig. No. 3

The number of complaints among twenty-three first cohort municipalities was decreased by 26 percent comparing to the baseline data, while percentage of complaints resolved was increased by almost 27 index points.

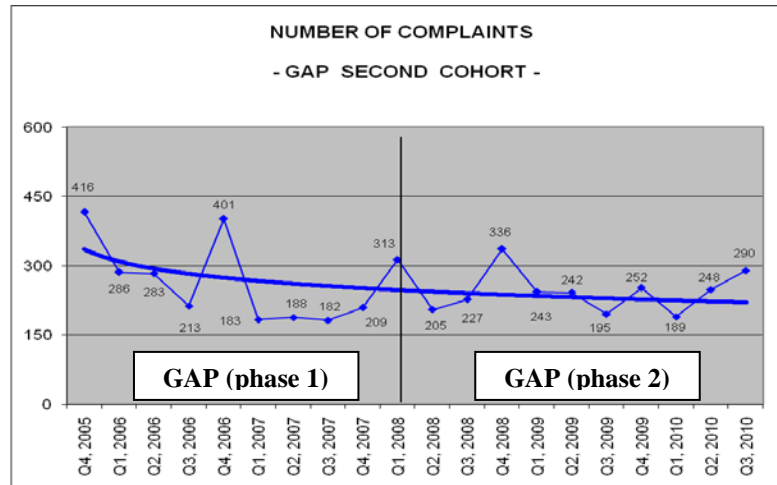


Fig. No. 4

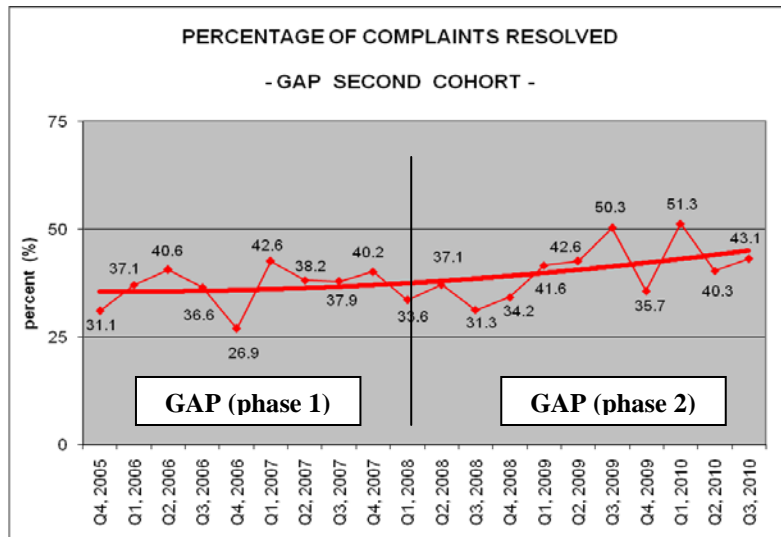


Fig. No. 5

The number of complaints among eighteen second cohort municipalities was decreased by 30 percent comparing to the baseline data, while percentage of complaints resolved was increased by 12 index points.

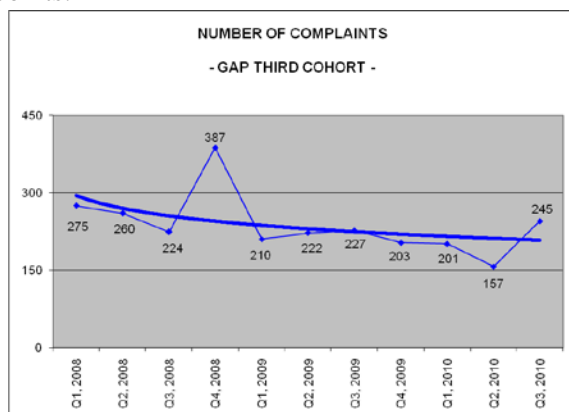


Fig. No. 6

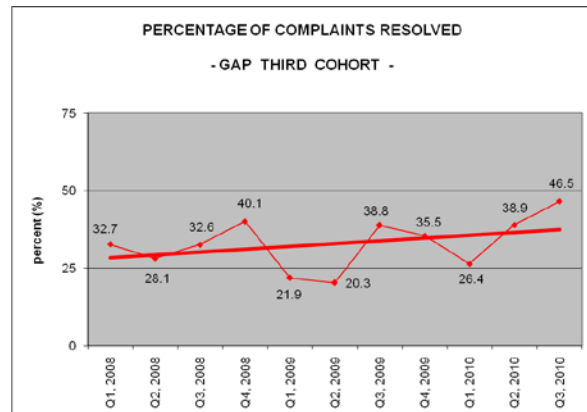


Fig. No. 7

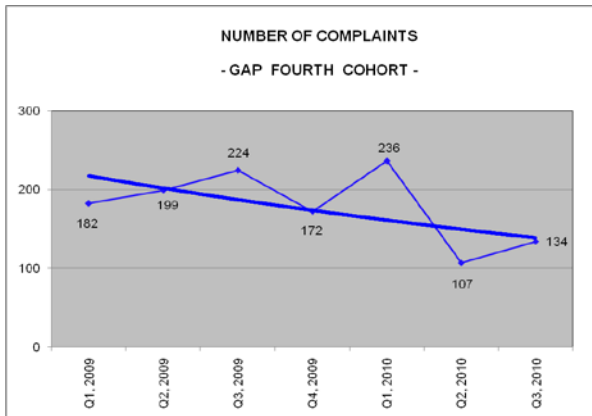


Fig. No. 8

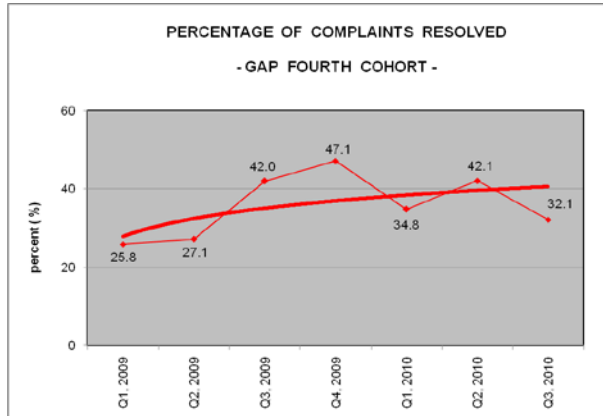


Fig. No. 9

Similar situation is with new partner municipalities, where trendline for number of complains set up a visible downsizing direction and with significant increase in percentage of complaints resolved.

1.1-4 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 shows that efficiency in providing municipal services among first cohort municipalities has been improved by more than two and half times comparing to baseline data.

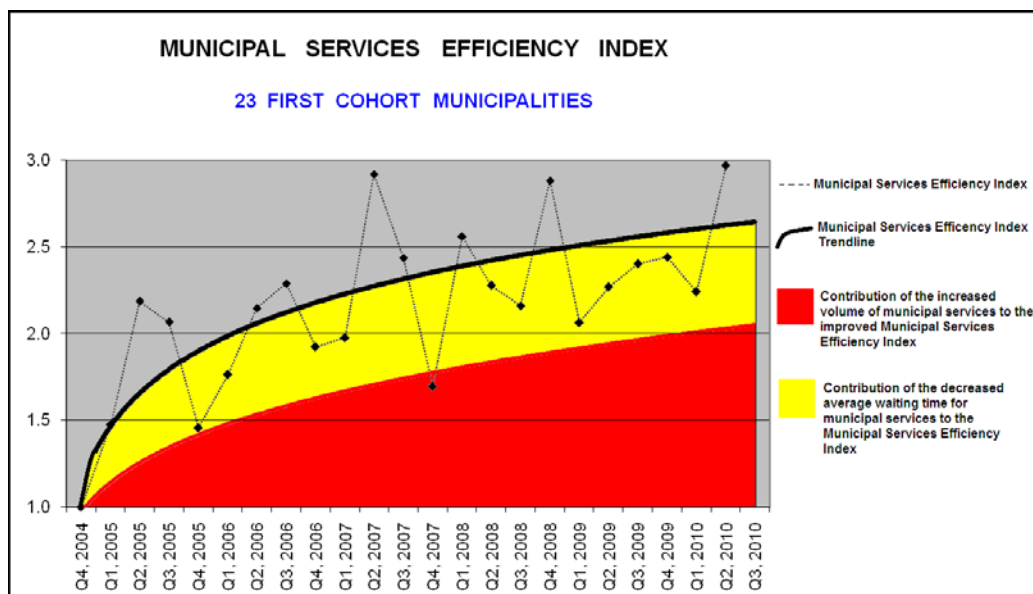


Fig. No. 10

The next picture shows that efficiency in providing municipal services among eighteen second cohort municipalities was increased by 50 percent.

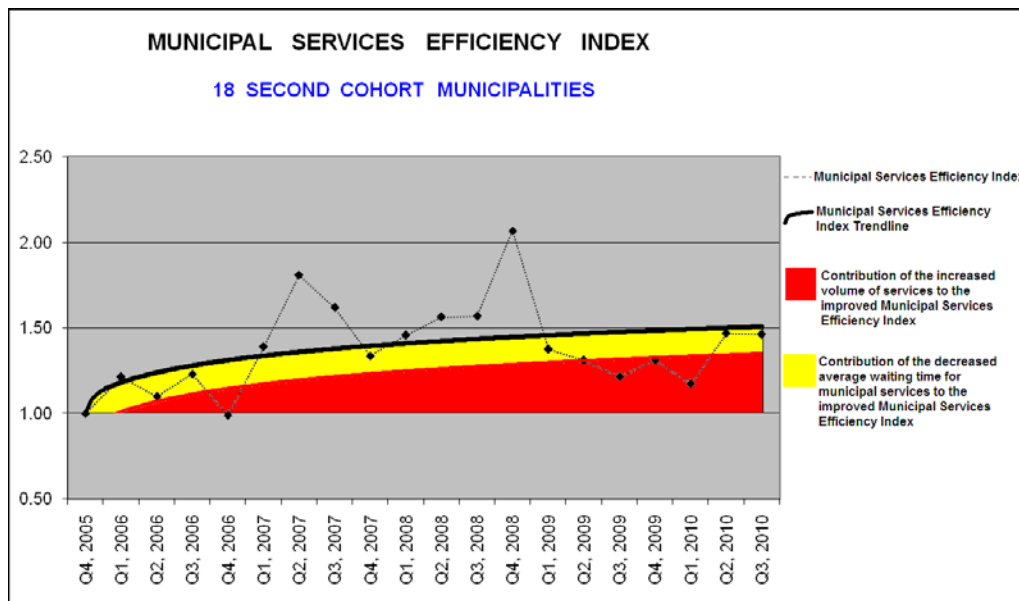


Fig. No. 11

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 40 percent in comparison to baseline in Q1, 2008.

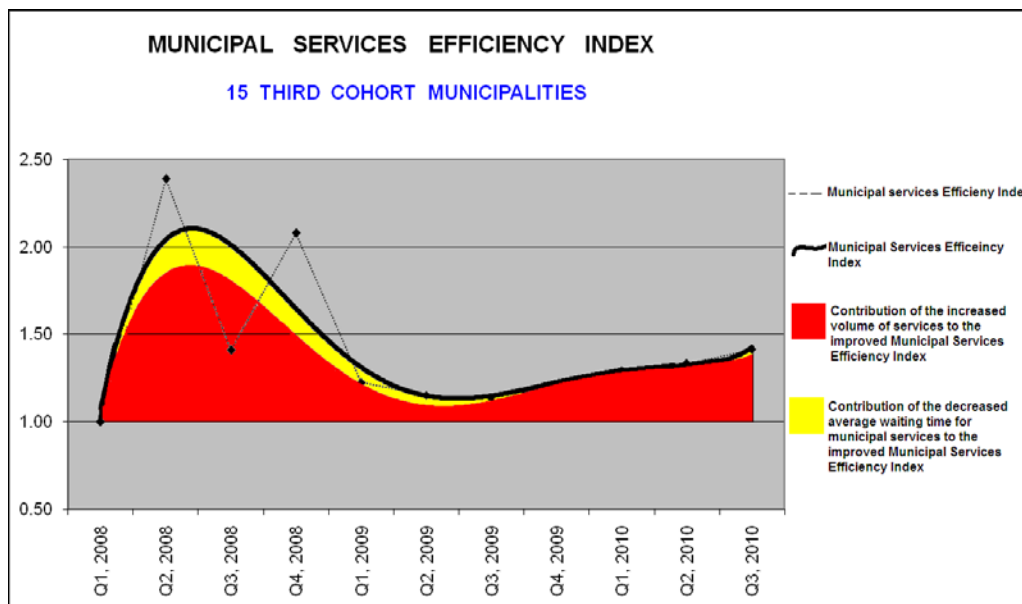


Fig. No. 12

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.

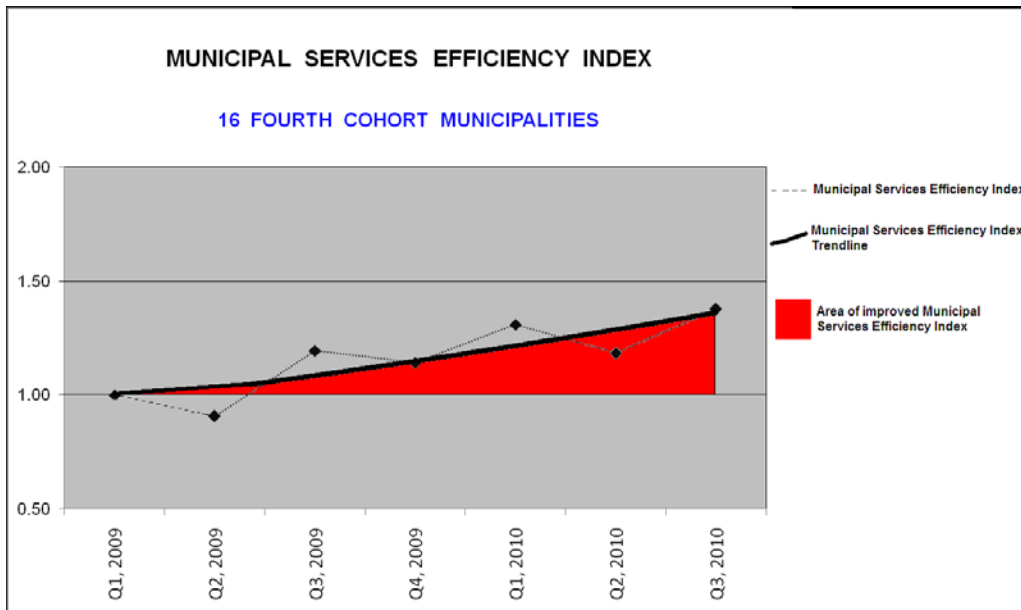


Fig. No. 13

One of the high volume transactions in each municipal citizen service center is issuance of birth, death, wedding and citizenship certificates. Considering all seventy-two GAP partner municipalities, almost 550,000 such certificates were issued in the most recent quarter, or an average of more than 7,500 per municipality.

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

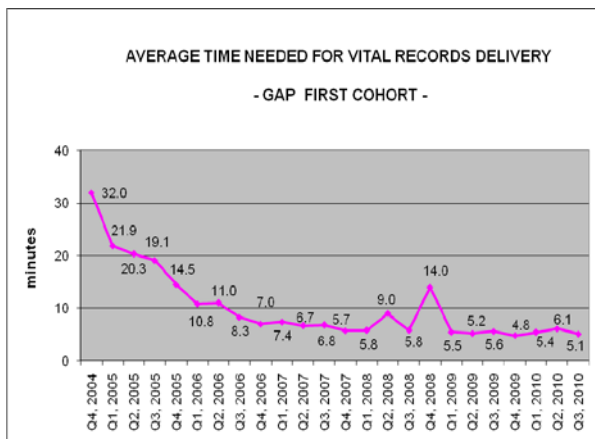


Fig. No. 14

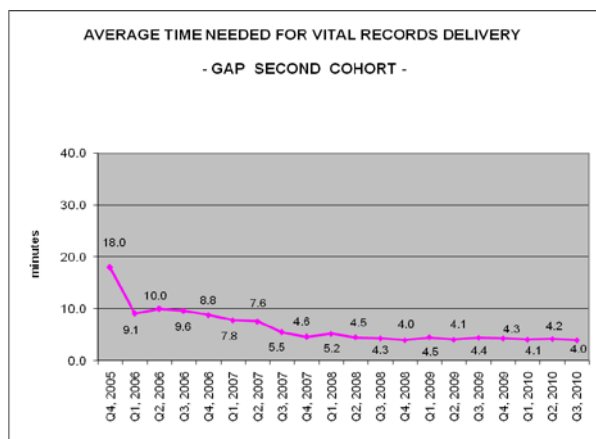


Fig. No.15

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

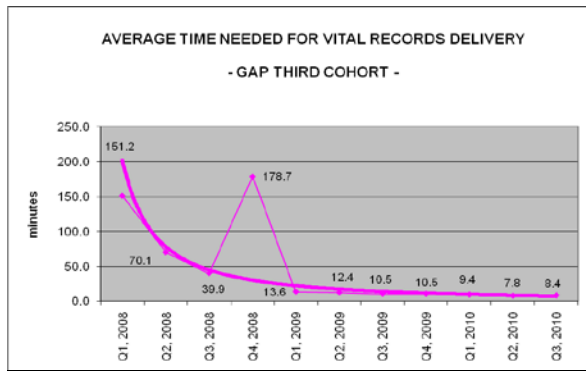


Fig. No. 16

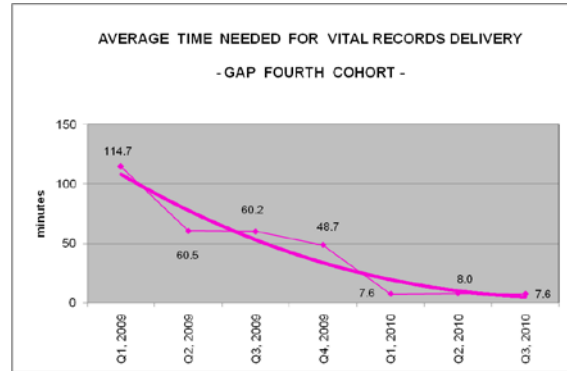


Fig. No. 17

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 providing appropriate equipment and software.*

1.1-5 Percentage of citizens satisfied with municipal services delivery

The next attitudinal survey for 2010 on this performance indicator will be done in next reporting period.

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-three municipalities, thirty-six of them use the IABS by its full potential (comparing to twenty five from reporting period before). However, eighteen of them do not use it by full potential, while one municipality (Olovo) needs additional training or on site support.

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;

and

1.2-3 Rate of collection for each major revenue source

Municipal budget revenues in 2009 among the all GAP's partner municipalities (excluding Mostar) decreased to 726.3 million KM, is a decrease of fourteen (14.4) percent compared to 2008. Tax

revenues were decreased by almost nineteen (19) percent compared to 2008, and it is definite that world economical has had a very significant impact to municipal budgets in BiH for 2009.

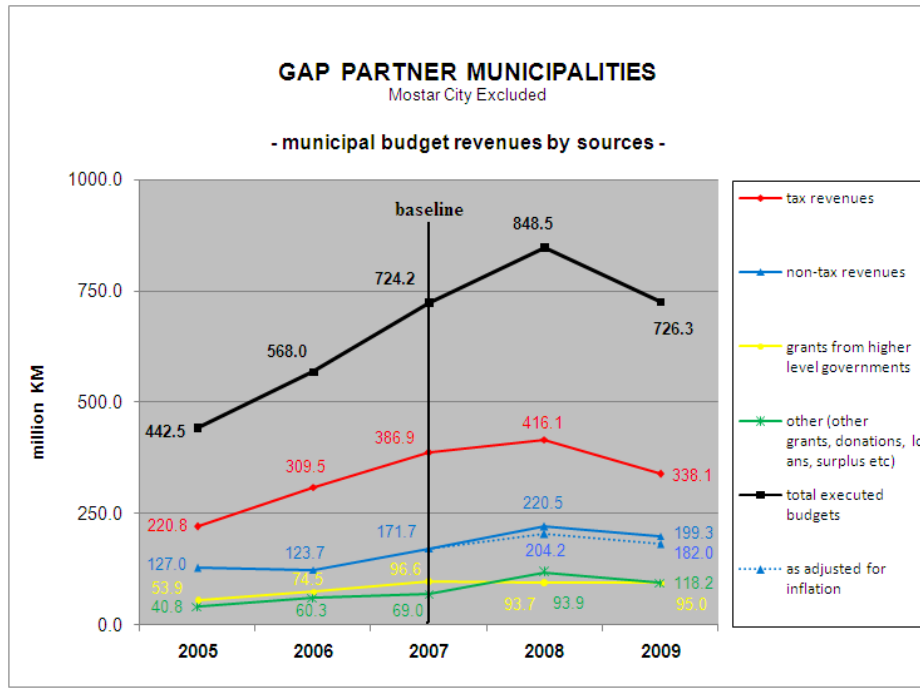


Fig. No. 18

At the same time, non-tax revenues, which are the only source of income that municipality can directly collect and control and represent the municipal own generation, nominally decreased in 2009 by almost ten (10) percent compared to 2008.

However, unlike that total budgets revenues and tax revenues are on the level or below baseline (budgets execution for 2007), non-tax revenues are still nominally higher than baseline by sixteen (16) percent and as adjusted for inflation in last two years, still higher by six (6) percent. At the same time, percentage of the non-tax revenues or municipal own revenue generation have continuous rise since 2006 and even during such serious effect of the world economical crises (see Fig. No. 2). This fact is telling story that GAP municipalities were aware of the situation and took all necessary measures to maximize own revenue generation supported by GAP advice and guidance.

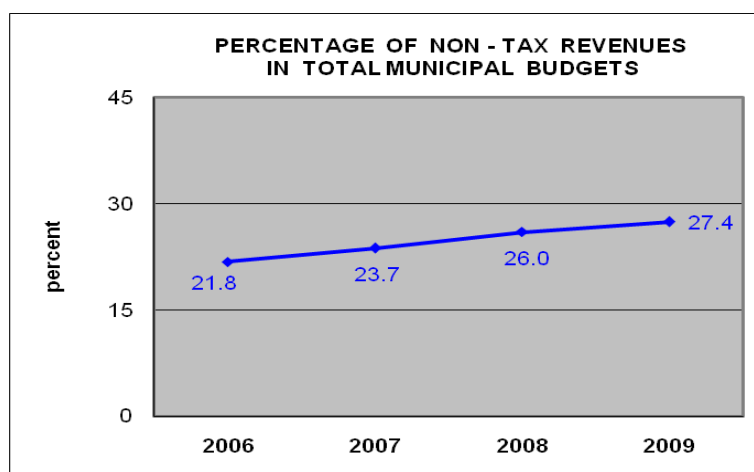


Fig. No. 19

1.2-4 Ratio of capital outlays to operating expenditures

As earlier said, the effects of the world economical crisis had a significant impact on municipal budgets revenues in BiH. Logically, the same was with expenditures, so the first area for cut was capital investments. After very promising first year of project, capital investment in 71 GAP partner municipalities dropped to 234.8 million KM, a decrease by 30 percent comparing to 2008, even below the baseline in 2007 by 4.5 percent (See Fig. No.3).

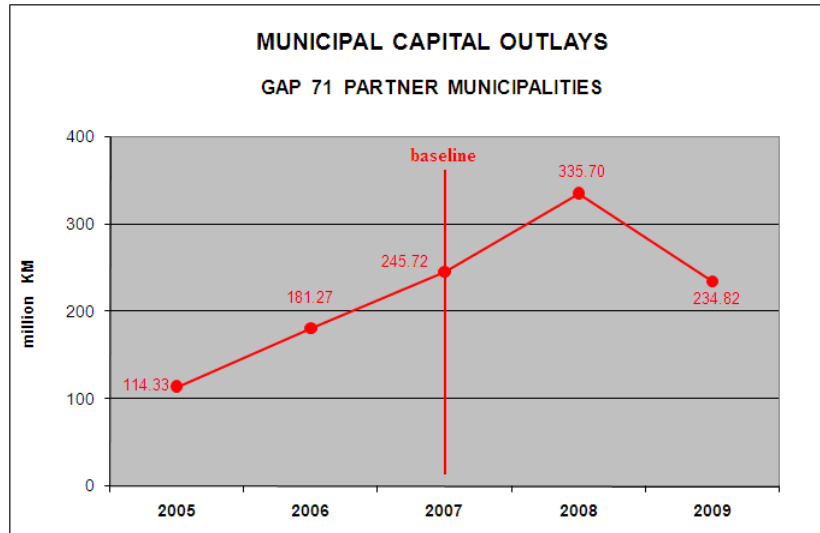


Fig. No. 20

Considering the ratio of capital outlays/operating expenses among seventy-one GAP partner municipalities, it is apparent that the ratio was significantly increasing from **0.54** in 2005 to **1.06** in 2008 (see Fig. No. 4). However, in 2009, the ratio had dropped to 0.78 or below the baseline records in 2007.

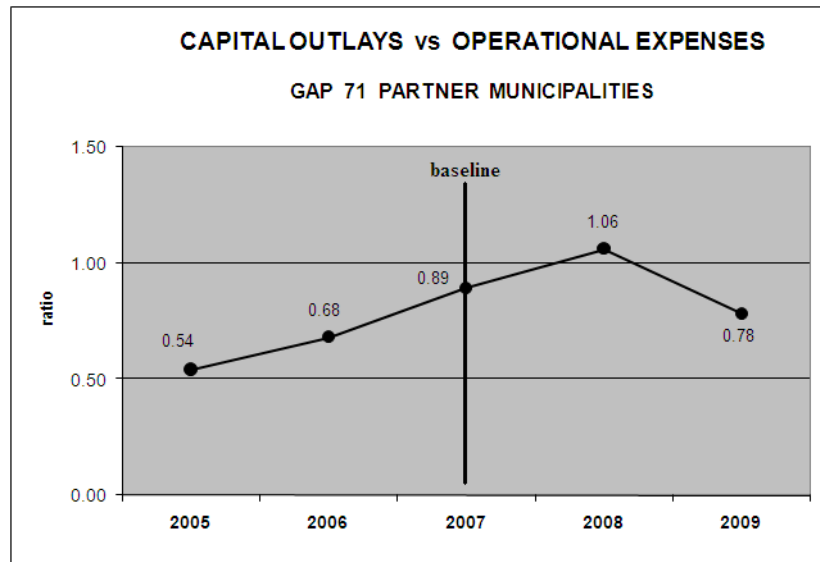


Fig. No. 21

The impact of the current world economic crises on municipal budgets was huge, although majority of municipalities took some recovery measures combined with some efforts by entity government in RS. However, BiH municipalities will have long period of recovery to achieve results related to capital investments on pre-crisis level.

1.3-1 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.

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

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

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

CIP or similar bodies in partner municipalities received 1795 applications for financing capital projects in last six months (or 42 percent increase comparing to earlier reporting period). Majority of proposals came from three main sources: Local Communities (MZs) - 33 percent, individuals 8 percent, municipalities themselves 25 percent and the remaining (34 percent) are coming from different sources (NGOs, schools 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.

2.1-3 Number of activities/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, activities are directed in Policy Cycles 2008 and 2009.

Policy Cycle 2008

Nine of ten planned activities were done. The following activities have been planned in 2009 related to already drafted laws, amending of laws and laws to be drafted (black box means that activity was completed):

1) Law already drafted:

- a) Organize joint meetings with the associations in order to present drafted legislation to the government, parliament, and relevant stakeholders; ■
- b) Collect comments from municipalities and help draft changes to legislation based on those comments; ■
- c) Organize and conduct meeting(s) with relevant committees of the parliament or assembly with associations. □

2. Amending of laws:

- a) Gather comments from municipalities regarding specific provisions of the law through the association; ■
- b) Work with the association's committees/boards and mayors from the Association Presidency to address these legislative barriers and define legal solutions; ■
- c) Collect and analyze comments based on input from the public hearing or workshop and refine a set of amendments. □

3. Law to be drafted:

- a) Collect information through the municipal association on need for drafting new legislation in the specific field; ■
- b) Define and draft legislation; ■
- c) Organize workshops or public hearings on the legislation; ■
- d) Arrange meetings with relevant committees and associations to address the draft law to members of parliament. ■

No reforms envisaged by WP in CY 2009.

Policy Cycle 2009

Two of three planned activities were done in 2009.

- 1) Organize or help organize a roundtable in each entity including all committees or boards to update an annual policy process; ■
- 2) Organize focus group meetings in both entities for each of the association committees or boards; ■
- 3) Organize a final workshop with mayors in both entities. ■

Activity A1

Continue Implementation of an Annual Policy Agenda

Regarding Continuation of the Implementation of an Annual Policy Agenda in 2010, all planned activities specified below were done in 2010.

FED BiH

- Define and draft policy agenda ■
- Produce a final policy agenda ■

RS

- Review policy priorities ■
- Update policy priorities ■

Activity A2

Implementation of the Code on Intergovernmental Relations

Due to the modification of the Workplan-Year 3, Activity A2 has changed the approach. The new approach has envisaged drafting Annexes to the Code, and the process is underway in FBiH. In the RS, the appointed working group is scheduled to meet in regards to finalizing the draft. A mechanism for periodic review and reevaluation of the Code established .

Activity A3:

Institutionalizing Inter-Governmental Cooperation

The activity has been deleted due to modification of the WP3.

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

Two of three targeted activities were achieved in 2009:

- 1) Draft Law on vital records; ■
- 2) Draft Law on electronic document; ■
- 3) Organize a meeting between the RS and FBiH WGs to harmonize proposed legal solutions. □

and two planned reforms have been implemented in 2009:

1. Law on vital records; ■
2. FBiH Law on electronic document. ■

GAP Policy Team planned the following activities in 2010 but no activities have been completed.

- Bylaws or rules drafted □
- Newly adopted legislation for electronic document processing implemented □
- Municipal staff trained □

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

Both planned activities in 2009 have been completed.

- 1) Pilot municipalities integrated into the data exchange system; ■
- 2) System operational in pilot municipalities. ■

No reforms envisaged by WP in CY 2009.

Policy Team planned the following activities in 2010 but no activities have been completed. No change in the approach, but a change in time due to delays and lack of efficiency in the FBiH Parliament. Legislation is drafted and adoption is expected in the upcoming couple of months. Actual inter-municipality sharing of vital records depends on the adoption of the laws and bylaws(B1). Technical solutions are in the place, and once the legislation passes, actual sharing will be possible. GAP Policy Team planned the following activities in 2010 but no activities have been completed.

- Actual inter-municipality sharing of vital records started □
- Exchange of data enabled and communication channels between the entity and state institutions established □
- System evaluated □

2.2-3 Number of partner municipalities processing documents electronically

The survey findings shows that 106 out of 143 municipalities in BiH process documents electronically, the same as was in last survey.

RS: 37 out of 62

FBiH: 69 out of 80

BiH: 106 out of 143

Considering GAP partner municipalities only, 64 out of 72 municipalities process documents electronically. Additional 6 municipalities will have that capacity through GAP cohort 4, which is in the implementation phase. That leaves 31 municipalities with no ability for processing documents electronically or 5.14 percent of total BiH population so far.

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

No GAP partner municipalities transfer vital records to other municipalities so far.

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

The following activities were targeted to be completed in CY 2009 by GAP Policy Team. Black square means that activity has been completed. GAP Policy Team completed six of seven planned activities.

- 1) An Action Plan for Implementation of the Law on the Principles of Local Self-Government prepared ■
- 2) Draft legislation or amendments to a number of laws which require harmonization with FBiH LSG Law; ■
- 3) Draft of new Chart of Accounts for municipal use developed; ■
- 4) Database for debt reporting developed in RS Ministries of Finance; ■
- 5) Final document on Assessment of Asset Management with policy recommendations produced; ■
- 6) Training of MoF and municipal staff on the use of revenue reporting data base; □
- 7) Workshops on introduction of treasuries organized. ■

In addition, Database for debt reporting was developed in RS Ministry of Finance.

GAP Policy Team planned four reforms for 2009. These reforms are:

- 1) Law on concessions;
- 2) Law on real rights;
- 3) Law on construction land; and
- 4) Law on expropriation.

The Law on concessions is in the Parliamentary procedure. The Association's working group is drafting the amendments on the Law on expropriation. The Association produced draft Law on Forests which is in Parliamentary procedure as well and adopted in House of Representatives. The Law on Real Rights adopted in RS, and in FBiH is in procedure.

Activity C.1

Work to Implement the FBiH Law on Principles of Local Self-Governance

The decision to change the approach of this activity was a result of the FBiH Association Assembly where it concluded that a specific set of laws are crucial and need to be strongly pushed for adoption. Based on the Association's priorities, the implementation of the FBiH Law on PLS will focus on the following set of laws:

1. Law on Forests
2. Law on Concessions
3. Law on Cadastre
4. Law on employees in LG units
5. Real Rights

Activity C.1.a.

Developing a list of cantonal legislation that requires harmonization with the FBiH LSG Law

The activity has been deleted due to modification of the WP3.

Activity C.2

Developing a new Chart of Accounts for Municipal Use in the FBiH and RS

FBiH

- A guidebook / rulebook for the use and application of the Chart of Accounts developed ■

RS

- Drafted a report that organizes the comments and suggestions collected on Draft of the new COA ■

Activity C.3

Assist the Process of Introduction of Treasuries in FBiH Municipalities

Approach for this activity have been changed due to modification of WP3.

Activity C.4

Assist the Ministries of Finance in Developing a Debt Reporting Database

- Implementation of the databases monitoring continued ■

Activity C.5

Improved Management of Municipal Property

The activity has been deleted due to modification of the WP3.

Activity C.6

Assist the Ministry of Finance with the Analysis of Revenue Data

Approach for this activity has been changed. Proposed changes to this activity are due to two events: 1) the MoF has agreed to sign the upkeep contract for the database, and 2) at the same time the MoF has decided to wait for Parliament to form the Working Group for revenues analysis before engaging in their work.

- A comprehensive analysis of local government non tax revenues, in particular the effects of rules the cantons impose on local governments with regard to administrative fees and charges, fees for use and development of construction land, the business sign fees and fees for use of public space produced □

Activity C.7

Review collection and structure of shared revenues, RS

- A comprehensive analysis of local government shared revenues, in particular the rules the RS imposes on local governments produced ■

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

The latest survey showed that total public revenues accruing to the municipal sector in BiH excluding the grants from other levels of government, social funds, financing and capital gains dropped to 15.02 % in 2009. Again, three different sources of data have been used – the Ministries of finances GIB's and the Central Bank data for BiH level, RS entity and Brčko District.

BIH Data	
Revenues BiH in 2009	1,086,600,000.00
Revenues FBiH in 2009	3,003,031,341.45
Revenues RS in 2009	1,349,400,000.00
Revenues BD in 2009	210,800,000.00
Revenues of FBiH and RS municipalities in 2009	998,737,169.86
Total	6,648,568,511.31
Participation of municipalities in total public revenues in BiH	15.02%

Table 2

The following figure displays percentage of total public sector revenue accruing to the municipal sector in last few years. It is obvious similarity of this diagram to the diagram representing ratio of capital outlays/operating expenses (Fig. No.21).

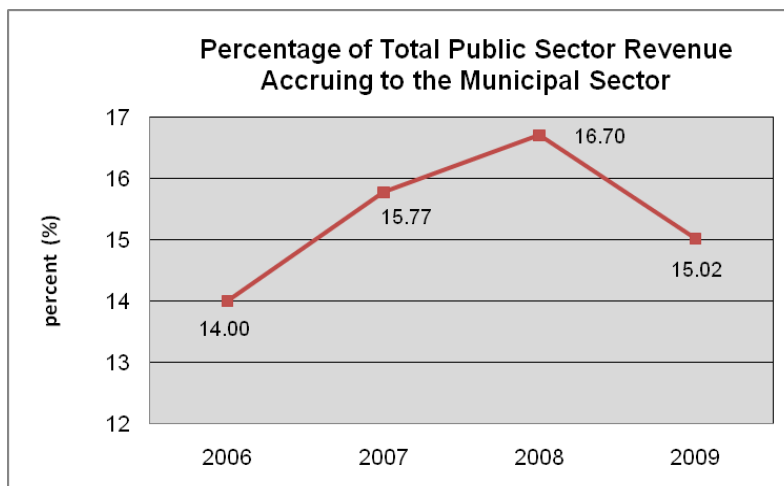


Fig No. 22

The drop in share is significant and there are several reasons:

1. The economic crisis depressing overall revenues;
2. The way the financing for BiH is structured, ensuring the state level gets its fund at the expense of everyone else (thus its revenues actually increased, while everyone else suffered additional decline);
3. Income tax introduction in FBiH which presented additional hit on municipal and cantonal revenues, as it was projected that it will bring lower revenues as compared to previous tax forms.

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

GAP partner municipalities took four loans in last six months, amounting 10.4 million KM. Bihać, Vlasenica, Teslić and Kotor-Varoš took loans for the infrastructure projects.

The survey conducted by GAP Capital Team showed that all GAP partner municipalities took eighty-three loans, totaling **179,472,035.84 KM**. Average loan amount of partner municipalities is approximately 2.49 million KM..

Among GAP partner municipalities, just Banja Luka took nine loans totaling more than 58 mil KM, almost one third of total GAP partner municipalities debt.

The table No. 3 displays total amount of loans given to partner municipalities.

	FED (KM)					
	by April 1, 2008	by Oct 1, 2008	by April 1, 2009	by Oct 1, 2009	by April 1, 2010	by Oct 1, 2010
I COHORT	24,825,277.21	31,325,277.21	33,325,277.21	33,325,277.21	33,325,277.21	34,525,277.21
II COHORT	4,946,932.91	4,946,932.91	7,446,932.91	8,046,932.90	14,921,932.90	14,921,932.90
III COHORT	10,835,739.36	11,185,739.36	11,635,739.36	12,135,739.00	20,105,333.57	20,105,333.57
IV COHORT					800,000.00	800,000.00
GAP	40,607,949.48	47,457,949.48	52,407,949.48	53,507,949.21	69,152,543.68	70,352,543.68

	RS (KM)					
	by April 1, 2008	by Oct 1, 2008	by April 1, 2009	by Oct 1, 2009	by April 1, 2010	by Oct 1, 2010
I COHORT	24,321,921.35	48,652,679.70	48,652,679.70	68,210,979.70	69,210,979.70	70,910,979.70
II COHORT	19,477,330.26	20,077,330.26	23,477,330.26	23,477,330.26	23,477,330.26	26,477,330.26
III COHORT	1,716,182.00	4,516,182.00	4,516,182.00	4,516,182.00	4,516,182.00	4,516,182.00
IV COHORT			115,000.00	1,015,000.00	2,715,000.00	7,215,000.00
GAP	45,515,433.61	73,246,191.96	76,761,191.96	97,219,491.96	99,919,491.96	109,119,491.96

	TOTAL (KM)					
	by April 1,2008	by Oct 1,2008	by April 1,2009	by Oct 1,2009	by April 1,2010	by Oct 1, 2010
I COHORT	49,147,198.56	79,977,956.91	81,977,956.91	101,536,256.91	102,536,257.11	105,436,257.11
II COHORT	24,424,263.17	25,024,263.17	30,924,263.17	31,524,263.16	38,399,263.16	41,399,263.16
III COHORT	12,551,921.36	15,701,921.36	16,151,921.36	16,651,921.00	24,621,515.57	24,621,515.71
IV COHORT			115,000.00	1,015,000.00	3,515,000.00	8,015,000.00
GAP	86,123,383.09	120,704,141.44	129,169,141.44	150,727,441.17	169,072,035.84	179,472,035.84

Table No. 3. Loans taken by GAP partner municipalities

Regarding the municipal borrowing used to co-finance GAP capital improvement projects, the following municipalities took such loans:

1. Lopare

Project title: Construction of curbs next to the regional road R 458, route Lopare-Mackovac, in the length of 680 meters, and 1.3 meters wide from the right side;

Funding: GAP: 40,000.00 KM; **Loan: 40,000.00 KM**

2. Lopare

Project title: Construction of parking lots in Lopare, including the parking lots and a ring-road next to the Health Center;

Funding: GAP 35,000.00 KM; **Loan: 35,000.00 KM**

3. Lopare

Project title: Construction of asphalt road Bare – Crkva at local community (LC) Mirosavci, in the length of 700 meters;

Funding: GAP 50,000.00 KM; **Loan: 70,000.00 KM**

4. Posusje Municipality

Project title: Construction of the water supply system in Vir
Funding: GAP: 125.000 KM; Amount funded from recipient's budget: 47,240.12 KM;

Loan: 600,000.00 KM

Loan granted by the Austrian government in the amount of **1,764,754.29 KM** has been used to purchase the pipes The other loan has been taken during the implementation of our project in order to finance works, due to lack of budget funding.

5. Jablanica Municipality

Project title: Construction of the Sports Hall, Phase I
Funding: GAP: 125,000.00 KM; Amount from the recipient's budget: 7,229.00 KM;

Loan: 2,000,000.00 KM

6. Nevesinje Municipality

Project title: Construction of the water supply system Udbina Nevesinje, Part I – Improvements to the existing water supply system

Funding: GAP: 50,000.00 KM; **Loan: 63,456.06 KM**

Amount funded through municipal borrowing was from a loan approved by the IRBRS.

The total amount of loans that GAP municipalities took for the implementation of capital projects in cooperation with GAP is **4,573,310.35 KM**.

No new loans were taken for financing of GAP Capital Projects by GAP municipalities in this reporting period.

3.2-1 Number of GAP partner municipalities engaging STTA

Thirty municipalities **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 366 consultancy days for training and other purpose. The participation in trainings provided is measured by 1422 men-days.

However, majority of GAP partner municipalities also received significant consultancy assistance and training by regional development agencies (ARDA, REDAH, SERDA, NERDA, REZ...), municipal associations and state agencies on different municipal development topics as well as from GAP, LEP, GTZ etc. They did not directly engaged this consultancy services, however, municipalities financially contribute in work of some agencies, associations or projects.

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

Five GAP partner municipalities provided mentoring and technical assistance services or knowledge exchange to other thirteen BiH municipalities. Majority of the assistance was related to the exchange of experience and some to managing of the local economic development and budget planning.

In addition, municipalities Banja Luka, Prijedor, Srbac, Novi Grad, Mrkonjić Grad, Laktaši, Jajce, Bihać and Ključ meet every week on the workshop for the knowledge exchange on EU Funding, Development Strategy, Proposal Writing and other municipal relevant topics.

The GAP partner municipalities that provided assistance to other municipalities in last six months in BiH are Lopare, Gradiška, Teslić, Posušje and Travnik.

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*

All GAP partner municipalities have received advanced training on gender budgeting through a set of regional workshops held in November 2009.

GAP organized a refresher course on the theory and practice of budgeting for results, as first part of the three big regional events for all partner municipalities. All participants, actively participated in the practical workshop on program budgeting. Further, separate session was dedicated to presentations and workshop which GAP, together with UNIFEM organized on Gender Budgeting, as a completely new concept in BiH, yet in line with program budgeting, which made a huge impact on participants' understanding of the gender responsive budgeting.

In addition, the training in capital improvements budgeting was delivered in all Cohort 4 CIP municipalities and they are: B.Krupa, Čapljina, Domaljevac-Šamac, Kotor Varoš, Ljubinje, Novi Travnik, Sapna, Šekovići, Vitez and Žepče.

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.

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 fifth regular MCI measurement shows a significant increase in rating among GAP municipalities. The first cohort municipalities are on average level of **67.9** points or 30 percent of increase comparing to baseline survey. Second cohort municipalities increased their rating to **68.3** points or 28 percent of increase comparing to baseline values. Considering composite rating of legacy municipalities, they increased their MCI score from 52.6 to 68.1 MCI points or an increase by 29.5 percent.

However, the significant increase was recorded among third cohort municipalities. They increased their rating by 5.9 points in last six months to **63.3** points, thus doubling the MCI score comparing to baseline in April 2008. Fourth cohort municipalities made the biggest average increase in capacity by more than twelve points in last six months, thus recording 53.3 points or 90% of increase comparing to baseline in April 2009 and exceeding the average baseline for legacy municipalities. At the same time control group of municipalities increased their MCI score by one point only.

The biggest MCI scoring was recorded in Banja Luka (**84** points) and Novo Sarajevo (**81** points) and the lowest in Kneževo (44 points) and Kostajnica (45 points). The biggest raise in MCI rating in last six months was recorded in Čapljina and Grude, both by eighteen MCI points.

GAP MUNICIPAL CAPACITY INDEX (MCI)

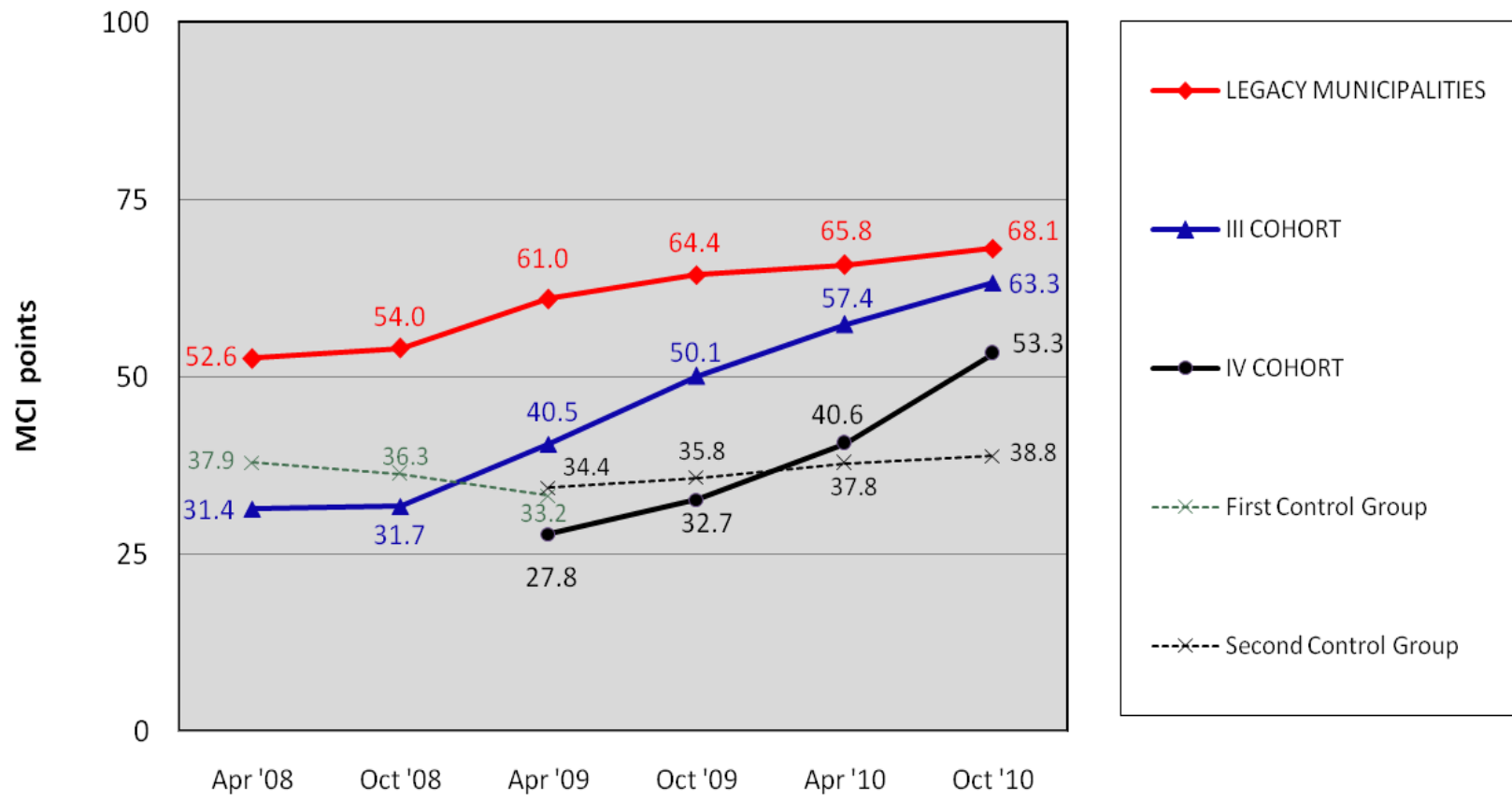


Fig. No. 23