

MEMORANDUM OF UNDERSTANDING
between

Association of Municipalities and Cities of the Federation of B&H
And
Governance Accountability Project, Phase II (GAP)

The purpose of this Memorandum of Understanding (MoU) is to outline the arrangements under which the Association of Municipalities and Cities of FBiH (hereinafter referred to as the "Association") will assist in the implementation of the "Governance Accountability Project" (hereinafter referred to as "GAP" or the "project"). GAP is funded by the Swedish International Development Cooperation Agency (Sida), the United States Agency for International Development (USAID) and the Embassy of the Kingdom of the Netherlands (EKN).

In general terms, GAP will assist the Association by providing expert technical assistance. The overall purpose of the project is to create more effective, accountable, and responsive local government and a viable, responsive and representative Association and therefore a sustainable local self-governance reform environment.

GAP will provide its assistance under the direction of EKN, Sida, and USAID/B&H to implement the project. GAP will work with the Association and its members to implement activities specified by this MoU.

Both Parties to this MoU are committed to working closely together to achieve a high degree of cooperation and successful implementation of GAP.

I General Terms General Terms agreed to by both Parties include:

1. This MoU is deemed to be in effect until completion of GAP.
2. GAP has management and fiduciary responsibility for ensuring compliance with the work assignments related to the project. The Association agrees to take all responsible measures necessary to facilitate the work of GAP and, as needed, to exercise its authority to assist with the removal of mutually identified obstructions.
3. The Association Presidency and Secretary will bear principal responsibility for ensuring that the Association meets its obligations under this MoU.
4. The GAP Chief of Party will bear principal responsibility for ensuring that GAP meets its obligations under this MoU.
5. The project will rely on information to be provided by the Association, and its provision in a timely fashion is considered to be an obligation of Association. This information will consist of local self-governance policy priorities, municipal revenues

and expenditures and other relevant data and information needs related to the project and technical assistance implementation.

6. USAID, Sida and EKN reserve the right to change or prohibit the flow of assistance to the Association under the project if changes in operating conditions, noncompliance with USAID, Sida and EKN requirements, or other circumstances warrant.

II Goals of Cooperation

Whereas, there is an agreed-upon need for ongoing functional decentralization and, in keeping with that objective, a fiscal system that guarantees broad sovereignty and a significant role for local self-governance; and

Whereas, there is an agreed-upon need for the establishment of a permanent knowledge base and means of collective advocacy through the Association of Municipalities and Cities of the FBiH for the common interests of all municipalities in FBiH; therefore

GAP and the Association hereby define the following goals of their cooperation:

- The Support of a policy and fiscal framework that is conducive to accountable, democratic governance;
- Implementation of joint cooperation, coordination and dialogue in the implementation of activities with the purpose of improving the system of local self-governance;
- Implementation of the process of decentralization pursuant to the Law on Principles of Local Self-Governance in FBiH; and
- Establishment of a permanent knowledge base and means of collective advocacy through the Association of Municipalities and Cities of FBiH.

III Activities for Achieving Cooperation

Cooperation of the Association and GAP will include the following activities:

1. Activities in the Field of Strengthening Inter-Governmental Communication and the Capacity of Municipalities to Collectively Advocate

In order to improve the effectiveness and sustainability of advocacy efforts of the Association, parties will implement a number of activities in order to:

a) Institutionalize Consultative Processes within the Association:

- GAP representatives will be directly involved in the work of the association committees and working groups on specific policy priorities; and
- GAP will provide support and technical assistance to committees/working groups of the association and its professional staff in data gathering, data analysis and identifying policy priorities.

b) Build Advocacy Skills of Municipal Associations and Support Strategic Partnerships

- following the determination of the policy agenda and identification of policy priorities, GAP will assist the Association in designing a corresponding advocacy agenda and lobbying strategy for each individual policy goal, with assignment of responsibilities and timelines for implementation; and
- GAP will mentor local policy analysts within the Association to improve the use of surveys, data collection and analysis and other methodologies including assisting with international comparisons to inform advocacy and improve the quality of dialogue on policy priorities.

c) Institutionalizing Inter-Governmental Cooperation

- GAP will assist the Association in establishing regular channels of communication and information exchange with the drafters of legislation, including government and parliament as well as other donor projects, and will provide regular opportunities to jointly discuss proposed policies within association committees and presidency;
- GAP will provide assistance on establishing a Coordination Committee for Implementation of Law on Principles of Local Self-Governance in FBiH.
- GAP will facilitate development and implementation of the Code on Intergovernmental Cooperation; and

2. Activities in the Field of Improvement of Inter-Municipal Communication

- The Association and GAP will invest mutual efforts in improving legislative framework to allow for electronic document processing; and
- The Association and GAP will work jointly on enabling vital records sharing in order to lessen administrative burden on citizens and business.

3. Activities in the Field of Implementation of the Law on Principles of Local Self-Governance and Operationalization of the Local Self-Governance Development Strategy in FBiH

- The Association and GAP will work together to identify legislation that furthers accountable governance and improves ministerial capacity to implement these reforms, supporting and promoting policy goals identified through the demand-driven process described above that yield tangible results;

- GAP will provide assistance in establishing a Coordination Committee for Implementation of Law on Principles of Local Self-Governance in FBiH;
- GAP will assist the Committee in identification of legislative improvements and priorities, the drafting of legislation together with the Association and ministries and in implementing that legislation and rules which further accountable governance;
- The Association and GAP will work jointly to improve the policy framework in order to enable municipalities to increase own-source revenues and to access the capital market;
- The Association and GAP will make a mutual effort to identify other legal obstacles concerning the property of local self-government units and in producing guidelines to shape future reform of municipal property; and
- The Association and GAP will support the adoption of relevant laws and implementation of laws that can provide further fiscal decentralization.

4. Activities regarding Development of a Market for Local Government Consulting Services

- GAP will assist the Association and municipalities in accessing consulting services;
- GAP will assist the Association in providing municipalities with the basic knowledge and tools needed to use consultancy services;
- GAP and the Association will make a mutual effort to further organize the Municipal Fair; and
- The Association will participate in the organization of the Fair and with the help of GAP will identify and invite consultants to participate in the Fair.

5. Other Areas of Cooperation

- GAP will provide a simplified budget guide to the Association for its use in training and development, and the Association and GAP will work to encourage its use and distribution; and
- Over the course of this project, the Association and GAP may determine additional areas of cooperation, such as development of training capacity within the Association. Such training capacity may include instruction in project management, citizen participation, budgeting and finance including capital budgeting, performance measurement, and similar.

IV Instruments for Realizing Cooperation

The realization of cooperation will be carried out in the following manner:

Based upon the need for achieving specific policy goals or implementing a policy process, GAP will facilitate meetings, conferences, public debates, round tables or

workshops as appropriate. The Association will provide assistance in co-organizing joint events including providing logistical support.

GAP will provide technical assistance in data gathering, data analysis, identifying policy priorities, legislative drafting, creating advocacy agendas and providing training for members of the Association boards and staff, as appropriate.

The Association will include representatives of GAP in the work of Association Committees and other working groups concerning above -mentioned policy goals.

The Association will keep GAP informed of activities of the Association including decisions and conclusions of the Association Presidency, policy initiatives from municipalities and other activities.

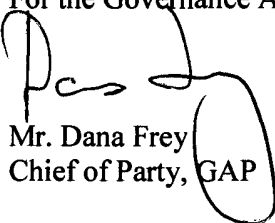
Both parties will ensure unrestricted flow of information and sharing of data.

This memorandum will be issued in 4 (four) identical copies, of which two will be given to each of the parties.

This official partnership between the Association and GAP will commence upon the signing of this MoU by the respective Parties.


Dated this day of _____ in _____

For the Governance Accountability Project



Mr. Dana Frey
Chief of Party, GAP

For the Association of the
Cities and Municipalities of FBiH



Mr. Ljubo Bešlić
Chairman of the Association
Presidency