



Governance Accountability Project
Projekat upravne odgovornosti

Appendix 3

MUNICIPAL CAPACITY INDEX (MCI)

GOVERNANCE ACCOUNTABILITY PROJECT, PHASE II

FOR THE PERIOD 11 December 2007 TO 10 December 2008

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**Koninkrijk
der Nederlanden**



GAP Municipal Capacity Index Overview

Introduction

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 can be used to evaluate project success by region, by category and over time. Data from partner municipalities will be evaluated against data collected in municipalities not participating in GAP. These municipalities will serve as a control group from which to assess general reforms that may be occurring unrelated to the project interventions. As the project proceeds and new project municipalities are added, baseline data for the new municipalities will be gathered. GAP will be providing MCI scores every six months. The

MCI Baseline Survey will be organized immediately after approval of GAP First Year Work Plan. GAP specialists in specific fields of expertise will award a rating to municipalities in these specific fields, and the M&E Specialist will do data analysis, processing and reporting. To the extent possible, MCI will utilize historical findings and data available from previous phase of the project.

Assuming that a municipality has the necessary commitment to reform, achievement of results as measured by the MCI will largely be a function of successful implementation of GAP's work plan. Thus, the MCI is an excellent measure of project performance. The MCI will also be used to give each municipality a report scorecard on its progress towards reform. MCI data will also be compared to citizen survey results (though not combined) to see if objectively measured municipal capacity changes are having the expected impact on subjective citizen perceptions.

Benefits of the MCI Approach

The municipal capacity index approach has a number of characteristics that make it ideal it for GAP performance monitoring:

- **It Does Not Reinvent the Wheel.** Although the index survey is customized for GAP (Phase 2), the four index components (Municipal Service Delivery, Municipal Administrative, Budgeting and Financial Management, Capacity of Municipalities to Administer Capital Improvement Projects and Policy and Accountability) remain similar to GAP (Phase 1), the *Municipal Capacity Index* is not a new invention but is based on previous experience in the region.
- **Data are Readily Available.** Data are largely readily available to GAP advisors and thus expensive attitudinal, efficiency, or economic surveys are avoided. Index elements measure the presence or absence of contributions to strengthening municipal capacity.
- **MCI Provides Valuable Control Group Information.** The index is applied and data are gathered from both partner municipalities and non-partner municipalities so that comparisons between the two can be made. A significant weakness of many performance monitoring programs is the absence of data on control groups. Similar projects have traditionally had trouble in the democracy and governance area with the issue of attribution; collection of data on the control groups helps address this problem.
- **Data Integrity Assurance is Built-In.** The scoring is the result of on-site interviews and data confirmation in each of the participating and control group municipalities. The degree of data integrity is reported along with the index results.
- **Findings are Useful to Managers.** Data from the MCI will be made available to municipal officials and department managers to view the respective strengths and weaknesses identified in their municipal government. Officials can then begin the planning process for addressing shortcomings and/or enhancing the capacity of particular administrative units.

**1. Municipal Service Delivery
(max 30 pts)**

1.1 Municipality has a User-Friendly Citizens Service Center (CSC) to Help Make Services More Accessible and Convenient

- (0) points if all municipal services are provided to citizens in inadequate premises, without access to appropriate guides for citizens;
- (1) point if municipality has a Citizens' Service Center with info-desk, the possibility for paying for services and partly digitalized public registry books;
- (2) points if municipality has Citizens' Service Center with info-desk equipped with call-info, possibility for paying for services, document tracking system and partly digitalized public registry books;
- (3) points if municipality has a completely operational Citizens' Service Center with info-desk equipped with call-info, possibility for paying for services, document tracking system, partly digitalized public registry books and a clearly defined complaints procedure;
- (4) points if municipality has completely operational Citizens' Service Center with info-desk equipped with call-info, possibility for paying for services, document tracking system, partly digitalized public registry books, a clearly defined complaints procedure and with a staff substitution routine in place;
- (5) points if municipality has completely operational Citizens' Service Center with info-desk equipped with call-info, possibility for paying for services, document tracking system, completely digitalized public registry books, a clearly defined complaints procedure and with staff substitution routine in place. If necessary, the same set of services is available in satellite offices on distance from city center. Internal procedures are continuously checked and improved. CSC is linked to external institutions included in administrative procedures and provides information to citizens about matters not directly under the municipal authority. Staff professional development plan and IT system development clearly defined.

1.2 Municipality Actively Improves Services and Procedures thus Accelerating Case Processing

- (0) points if municipality has no procedures defined;
- (1) point if municipality has defined and documented procedures;
- (2) points if municipality has defined and documented procedures that are analyzed and improved;
- (3) points if municipality has defined and documented procedures that are analyzed and improved. Procedures are available in CSC and employees are aware of them. Continuous activities in evaluation and improvement of municipal procedures are established;
- (4) points if municipality has defined and documented procedures that are analyzed and improved. Procedures are available in CSC and employees are aware of them. Continuous activities in evaluation and improvement of municipal procedures are established. Procedures include external stakeholders and with continuous contact with them. Municipality initiated at least one proposal for a law amendment;
- (5) points if municipality has been ISO 9001:2000 certified, Quality Management System or according to similar standards.

1.3 A Municipality has a Functional, Customer-Friendly Permit Center

- (0) points if municipality does not have publicly accessible information relevant for planning and permitting procedures in urbanism (all information is in back offices, controlled by officers);
- (1) point if municipality has a central info desk where all basic information is provided as well as application forms, guidelines through procedures for application. All professional information and directions are provided in back offices;
- (2) points if municipality has a desk for urbanism which is specially designed and adapted for discrete communication of investor and officer, located within the CSC, where citizens can get all the necessary information on relevant legislation, procedures and planning documentation from a trained person. A trained employee or officer in the Center checks documents for compliance and advises customers on further procedures;
- (3) points if municipality has a desk for urbanism which is specially designed and adapted for discrete communication of investor and officer, located within the CSC, where citizens can get all the necessary information on relevant legislation, procedures and planning documentation as well as an electronic version of plans and document tracking from an expert. Officers in the Center check documents for compliance and advise customers on further procedures. All planning documentation is available in the Permit Center in analogue form and some of it in digital form (scanned and geo-referenced or vectorized). Exchange of information with external subjects is done through the mail;
- (4) points if municipality has specially designed space for urbanism which is adapted to the needs of investor and located within the CSC or it is not directly physically connected to the back offices, where citizens can get all the necessary information on relevant legislation and procedures, see the planning documentation, and get an electronic excerpt of the plan. Officer in the Center is in charge of pre-application meeting with the investor, checks documentation for compliance, and obtains, officially and manually, all external approvals. All planning documentation is available at the Permit Center in digital form (geo-referenced or vectorized), and adapted to automatic identification and providing the excerpts from plans. GIS database is created for the major part (areas of intensive development) of the urban area. Center has officers for legal issues available for citizens/investors to provide answers on legislation and administrative procedures), technical-urban issues (advice on investments and clarification of plans) and land registry/property (cadastre/land register);

- (5) points if municipality has specially designed functional space for urbanism, adapted for discrete communication with investor, located within the CSC or not directly physically connected to the back offices, where citizens can get all the necessary information on relevant legislation and procedures, see the planning documentation, and get an electronic excerpt of the plan . Officer in the Center is in charge of pre-application meeting with investor, checks documentation for compliance, and obtains, officially and manually, all external approvals. Planning documentation for the entire urban area is available at the Permit Center in GIS form, and adapted to automatic identification and issuing of excerpts from the plan. Center has officers for legal issues available for citizens/investors to provide answers on legislation and administrative procedures, technical-urban issues (advices on investments and clarification of plans) and land registry/property (cadastre/land register). Business Center is either in the same space or in the vicinity of the Permit Center. Apart from obtaining information, customers can apply for permits and obtain permits (one-stop-shop), in Permit Center. Exchange of electronic information with external subjects is done interactively in WEB GIS environment.

1.4 Municipality has IT Equipment and an Established Electronic Permitting and Document Tracking System

- (0) points if urban department does not have IT (hardware and software) equipment and any geodetic maps and current planning documentation. Identification and solutions (textual and graphic) are prepared manually. Municipality has no capability for internal electronic documents, or parts of the permitting procedures are performed in external organizations (utility, planning, ministries, etc). Archiving and recording of data is in analogue and manual form;
- (1) point if urban department has little IT (hardware and software) equipment and no current planning documentation in electronic form. Textual part of documentation is prepared with software with no license, and graphical part and geodetic identification is prepared manually. Municipality has no electronic document tracking, nor electronic permitting, with parts of the permitting procedures performed in external organizations (utility, planning, ministries, etc). Archiving and recording of data is in analogue form;
- (2) points if urban department has hardware and partial software equipment and part of planning documentation in prepared in electronic form. Textual part of documentation is prepared electronically, in prepared forms in accordance with administrative procedures, and graphic part is scanned or electronically copied, so that decisions are partially prepared electronically (software are not licensed). Municipality has no the possibility for internal electronic document tracking nor permitting, which is performed in external organizations (utility, planning, ministries, etc). Archiving and recording of data is analogue;
- (3) points if urban department has hardware and partial software equipment and planning documentation in prepared in electronic form (scanned or geo-referenced or digital). Preparation of textual and graphic part is in electronic form or semi-automatic. Municipality has the possibility for internal electronic document tracking, while part of permitting procedure is performed in external organizations (utility, planning, ministries, etc) and cannot be tracked. Archiving and recording of data is analogue and textual part is electronic;
- (4) points if urban department has hardware and software equipment and planning documentation in prepared in electronic form (in CAD and GIS based software). Preparation of textual and graphic part for entire urban area is in electronic form, and for the part of urban area with intensive development it is possible to have automatic preparation (directly from GIS). Municipality has the possibility for internal electronic document tracking, while part of permitting procedures is performed in external organizations (utility, planning, ministries, etc) and cannot be tracked. Archiving and recording of data is analogue and digital;

- (5) points if urban department has hardware and software equipment and planning documentation prepared in electronic form (GIS based software). Preparation of textual and graphic part for the entire urban area is in electronic form, and for the part of urban area with intensive development it is possible to have automatic preparation (directly from GIS). Municipality has the possibility for internal electronic document tracking through GIS permitting software, and external permitting can be tracked through the WEB based applications (utility enterprises, urban department, cadastre, relevant ministries and other participants in permitting procedures). Information, applying and document tracking can be done on-line through the Internet.

1.5 Municipality has Covered Urban Area with Zoning Plans and Minimized Possibility for Discretionary Decision Making

- (0) points if municipality does not have any or has an obsolete land registry (cadastre) and planning documentation. Participatory element of planning is not included in new requirements. Most approvals are issued based on expert opinion, and municipality does not have its own personnel or institutions (institute). Planning, administration and inspection services are not separated within the department. Regulations on procedures of preparation of expertise, establishment of the committee for expertise and procedures of participation of interested parties in permitting procedures are not prepared;
- (1) point if municipality has a mostly obsolete land registry (cadastre) and planning documentation. Participatory element of planning is not included in new requirements. Part of land use permits is issued based on implementation plans, and most of it based on expert opinion. Committee for expertise is professionally incomplete and made of insufficiently competent municipal employees who are not experts in planning. Planning, administration and inspections services are not separated within the department. Regulations on procedures of preparation of expertise, establishment of the committee for expertise and procedures of participation of interested parties in permitting procedures were not prepared;
- (2) points if municipality has land registry (cadastre) and updated part of planning documentation (areas of intensive development), in analogue and partially in electronic form (scanned). Documentation was not prepared using zoning methods; EU standards of participatory planning were not applied. Most of the permitting for land use permits is based on implementation plans, and part of it based on expert opinion. Committee for expertise is professionally incomplete and made of insufficiently competent municipal employees who are not experts in planning. Planning, administration and inspections services are separated within the department. Regulations on procedures of preparation of expertise, establishment of the committee for expertise and procedures of participation of interested parties in permitting procedures were not prepared;
- (3) points if municipality has updated geodetic maps and new planning and implementation documentation in electronic form for most of the urban area (scanned, CAD). Documentation was not prepared using zoning methods; EU standards of participatory planning were not applied. Most of the land use permits are issued based on implementation plans, and part based on expert opinion. Committee for expertise is professionally incomplete and made of insufficiently competent municipal employees who are not experts for planning. Planning, administration and inspections services are separated within the department. Regulations on procedures of preparation of expertise, establishment of the committee for expertise and procedures of participation of interested parties in permitting procedures were not prepared;

- (4) points if municipality has updated geodetic maps and new planning and implementation documentation in electronic form for the most of urban area (geo-referenced, CAD and partially GIS based software). Documentation is partially prepared using zoning methods, in GIS, for automatic issuing of urban and technical conditions. EU standards of participatory planning were not entirely implemented. Expert opinions for urban department are prepared by a competent professional institution (Institute for urbanism and urban planning). Functions within department were separated in the process of reorganization. Relevant municipal bylaws were partially adopted;

- (5) points if municipality has planning and implementation documentation prepared using zoning methods and in GIS for entire urban area of the municipality. Application processing is performed in GIS application for permits, through the WEB based server, and all participants in planning and permitting procedures have access to databases. In preparation of documentation the municipality implemented the EU principles of participatory planning. All information related to urbanism and development is available to customers/investors in the Permit Center and on-line. Expert opinions for sensitive and complex applications, upon the investor's request, are reviewed by the entire committee established in municipality which includes municipal internal and external members (utility enterprises, competent ministries, planning institute, etc.). Department has been reorganized and all bylaws adopted.

1.6 Municipality is Customer-Oriented and Applies Advanced Methods in its Relationship with Customers

- (0) points if municipality does not evaluate the relationship between employees and customers;
- (1) point if municipality has adopted a complaints procedure;
- (2) points if municipality has adopted a complaints procedure. Complaints are analyzed, and improvements are introduced based upon the analysis;
- (3) points if municipality has adopted a complaints procedure, conducts citizens' surveys and has regular meeting with citizens. Results are analyzed, and improvements are introduced based upon the analysis;
- (4) points if municipality has adopted a complaints procedure, conducts citizens' surveys and has regular meeting with citizens. Results are analyzed, and improvements are introduced based upon the analysis. Municipality conducts an annual performance review of employees. Based upon performance results, corrective actions and incentives are introduced;
- (5) points if municipality has adopted a complaints procedure, conducts citizens' surveys and has regular meeting with citizens. Results are analyzed, and improvements are introduced based upon the analysis. Municipality conducts annual performance review of employees. Based upon performance results, corrective actions and incentives are introduced. Municipality has adopted professional development plan for employees with allocated line in municipal budget and implements the plan.

**2. Municipal Administrative, Budgeting and Financial
Management
(max 25 pts)**

2.1 Municipality has Integrated Accounting and Budgeting Software in Place

- (0) points if municipality has no financial software in use. Financial transactions are recorded manually or using spreadsheets;
- (1) point if municipality uses basic financial modules (General Ledger, Payroll, Fixed Asset...). The modules in use are not integrated. Software is not customized to meet municipality's needs. General Ledger module cannot generate reports based on all required classifications (economic, organizational, functional, fund). The financial reports are not accurate;
- (2) points if municipality has integrated financial software. Most of the modules have the capability of posting financial transactions to the General Ledger module. Software meets requirements to generate reports based on required classifications. Financial statements are not accurate;
- (3) points if municipality uses an IABS which meets all the requirements defined in GAP's Technical Proposal. The municipality uses most of the modules of the integrated budgeting and accounting software. Some of the revenue generating departments within the municipality use IABS (such as Accounts Receivable module), which enables the posting of financial transactions to the General Ledger. Financial statements are not accurate;
- (4) The municipality uses an IABS which meets all the requirements defined in GAP's Technical Proposal. Most of the revenue generating departments within the municipality use IABS, posting financial transactions to the General Ledger module. The installed software is not used to its full capacity. The software is not yet recognized as a reliable tool for revenue maximization and budget execution;
- (5) The municipality uses an IABS which meets all the requirements defined in GAP's Technical Proposal. The IABS is recognized as an essential tool that enables improving the way in which the municipality plans and executes budgets, raises and monitors the collection of local taxes and other revenues. Revenue generating departments use IABS (such as Accounts receivable module). Entered financial transactions enable cost accounting methodology. The municipality has reliable information and can generate accurate financial reports on a daily basis. Financial reports are used in decision making process.

2.2. Municipal Councilors have Better Understanding of Budget Process, Budget Calendar and Comply with the Provisions and the Timelines Set in the Two Entities' Budget Laws

- (0) points, if municipal council demonstrates no understanding of the importance of compliance with the provisions and the timelines and deadlines set in the budget laws, resulting in extremely late budget-plan adoption (more than six months behind the deadline);
- (1) point, if municipal council demonstrates poor understanding of the importance of compliance with the provisions and the timelines and deadlines set in the budget laws, resulting in very late budget-plan adoption (more than three months behind the deadline);
- (1) points, if municipal council demonstrates good understanding of the importance of compliance with the provisions, timelines and deadlines set in the budget laws, but fails to adopt the annual budget-plan by the deadline set in the budget law, resulting in temporary financing for first quarter of the year. The municipal council still adopts the annual budget-plan during the first quarter of the year in accordance with the law;
- (3) points, if municipal council demonstrates good understanding of the importance of compliance with all the provisions, timelines and deadlines set in the budget laws, adopts the annual budget-plan and all quarterly execution reports by the deadlines set in the budget law;
- (4) points, if municipal council demonstrates very good understanding of the importance of compliance with all the provisions, timelines and deadlines set in the budget laws, adopts the annual budget-plan, quarterly execution reports and five-year CIP plan by the deadlines set in the budget laws and relevant rulebooks defining the CIP process;
- (6) points, if municipal council demonstrates excellent understanding of the importance of compliance with all the provisions and the timelines and deadlines set in the budget laws, adopts the annual budget-plan, quarterly execution reports and five-year CIP plan by the deadlines set in the budget laws and relevant rulebooks defining CIP process. The municipality demonstrates good understanding of all the relevant laws that influence revenue collection and it values transparent expenditure reporting and is continuously encouraging better municipal expenditure controls.

2.3 Municipality Responsibly Collects Municipal-Own Revenues from All Possible Sources

- (0) points, if municipality collects own-revenues from only two sources and has established no mechanism for monitoring revenue collection;
- (1) point, if municipality collects revenues from more than two major sources but still fails to monitor the actual execution of the planned revenues, resulting in poor execution of planned revenue collection;
- (2) points, if municipality responsibly collects all the municipal own-revenues that are available according to the MC/MAs decisions but still fails to collect some revenues due to lack of proper decisions by MC/MAs in accordance with the higher level regulations;
- (3) points, if municipality responsibly collects all the municipal own-revenues that are available according to the MC/MAs decisions. Municipal Councils have adopted all relevant decisions so that revenues from all possible sources can be collected by the municipality. Collection is monitored in a transparent manner but still there is space for improvement in this segment as no rulebook defining the roles and responsibilities of the different municipal departments/staff is in place;
- (4) points, if municipality responsibly collects revenues from all available municipal own-revenue sources. Collection is monitored in a very transparent manner, adequate rulebooks are in place, but are not followed at all times, as there are some exceptions to the rules, resulting in a failure to meet planned target sums;
- (5) points, if municipality responsibly collects revenues from all available municipal own-revenue sources. Collection of the revenues is monitored in a very transparent manner; adequate rulebooks are in place and are followed at all times. All planned revenues are collected or exceeded in accordance with the plan.

2.4 Municipality Executes its Own-Revenue Collection in Accordance with the Annual Budget Plan

- (0) points, if municipality collects less than 50% of the overall planned municipal own-revenues or if municipality deploys unrealistic planning methods;
- (1) point, if municipality collects between 51-60% of the overall planned municipal own-revenues;
- (2) points, if municipality collects between 61-70% of the overall planned municipal own-revenues;
- (3) points, if municipality collects between 71-80% of the overall planned municipal own-revenues, but at the same time keeps realistic budget planning methods in place;
- (4) points, if municipality collects between 81-90% of the overall planned municipal own-revenues, but at the same time keeps realistic budget planning methods. The municipality follows internal rulebooks that regulate the revenue collection most of the time;
- (5) points, if municipality collects between 91%-100% of the overall planned municipal own-revenues, or exceeds the budget plan but at the same time keeps realistic budget planning methods and techniques in place. The municipality follows internal rulebooks that regulate the revenue collection at all times. Revenues are being expended following legal requirements.

2.5 Municipalities have Greater Capacity to Make Educated Decisions on Municipal Borrowing; They Better Understand Creditworthiness Assessments, Interest Rate Determination, Loan Packaging Process and the Procedure of Public Procurement of Loans

- (0) points, if municipality demonstrates no understanding of municipal borrowing processes;
- (1) point, if municipality demonstrates lack of understanding of proper municipal borrowing processes;
- (2) points, if municipality demonstrates basic understanding of proper municipal borrowing processes. However, the municipality has never received training in any key area of municipal borrowing including loan packaging, assessment of municipal creditworthiness, public procurement of loans and so forth;
- (3) points, if municipality demonstrates good understanding of the proper municipal borrowing process. The municipality has received training in the following segments of municipal borrowing: loan packaging, assessment of municipal creditworthiness and public procurement of loans;
- (4) points, if municipality demonstrates very good understanding of the proper municipal borrowing process. The municipality has received training in the following aspects of municipal borrowing: loan packaging, assessment of municipal creditworthiness, and public procurement of loans. Further, the municipality has prepared at least one capital investment project for borrowing and is in contact with potential lenders;
- (5) points, if municipality demonstrates excellent understanding of the proper municipal borrowing process. The municipality has received adequate training in the following segments of municipal borrowing: loan packaging, assessment of municipal creditworthiness, and public procurement of loans. Further, the municipality has already borrowed funds from a commercial bank or other outside lender for financing at least one major capital investment project.

**3. Capacity of Municipalities to Administer Capital
Improvement Projects
(max 20 pts)**

3.1 Municipal Effectiveness in Grant and Funding Application and Municipality Preparedness for EU Pre-Accession Funding

- (0) points if there is no activities in developing funding application skills supported by the municipality;
- (1) point if at least three persons have been trained in funding-related skills (i.e. proposal writing and project management modules);
- (2) points if trained municipal staff are successful in identification of at least one new source of funding;
- (3) points if it municipality submitted at least one completed proposal for potential funding;
- (4) points if municipality submitted more than one completed proposal completed for potential funding;
- (5) points if at least one proposal has been approved for funding by potential donors.

3.2 Participation of Citizens, Civil Societies and Business Society Associations in Addressing Community Needs

- (0) points if municipality has no activities conducted in CIP or other similar;
- (1) point if at least 50% of members of the municipal CIP Coordination Team are nominated from the business sector, civil society associations and citizens;
- (2) points if the CIP Coordination Team has been approved by the Municipal Council or Municipal Assembly and at least 50% of members of the municipal CIP Coordination Team are nominated from the business sector, civil society associations and citizens;
- (3) points if at least 10% of received applications are submitted by non-government community representatives and at least 50% of members of the municipal CIP Coordination Team are nominated from the business sector, civil society associations and citizens;
- (4) points if at least 30% of received applications are submitted by non-government community representatives and at least 50% of members of the municipal CIP Coordination Team are nominated from the business sector, civil society associations and citizens;
- (5) points if at least 50% of received applications are submitted by non-government community actors and at least 50% of members of the municipal CIP Coordination Team are nominated from the business sector, civil society associations and citizens.

3.3 Municipalities' Capacity in Administering Capital Improvement Projects

- (0) points if municipality conducted no activities on CIP and municipality showed no interest in implementing CIP;
- (1) point if municipality received training for multiyear financial forecasting;
- (2) points if municipality received a training for multiyear financial forecasting but failed to produce a forecast and lacks interest and/or resources to do so;
- (3) points if municipality drafted five-year CIP in accordance with GAP methodology, but was never adopted by MC/MAs;
- (4) points if municipality adopted and started implementation of the five-year CIP in accordance with GAP methodology or equivalent;
- (5) points if municipality recorded an evident increase of capital budget vs. operational budget and applies a five-year CIP in accordance with GAP methodology or equivalent.

3.4 Knowledge Transfer between Legacy Municipalities, New and Other Municipalities

- (0) points if municipality conducted no activities on knowledge transfer;
- (1) point if municipally defined areas of support which can be provided to other municipalities;
- (2) points if municipality defined objectives and approach of the peer mentoring program;
- (3) points if municipality organized peer-education workshop/meeting with one or more other municipalities;
- (4) points if Joint Action Plan was developed with other municipalities;
- (5) points if other municipalities are practicing and implementing knowledge obtained from other municipalities developed through this Joint Action Plan.

3.5 Municipal Mechanisms in Conducting Public Procurements in Compliance with the BiH Law on Public Procurement

- (0) points if municipality does not comply with the BiH Law on Public Procurement and its by-laws whatsoever. Municipalities at this level typically have no internal rule book on public procurement. The evaluation committee members meet on an ad hoc basis and commonly are not knowledgeable concerning procurement/tender documentation and /or the Law on Public Procurement. The employees conducting public procurement have not been trained and/or have not acquired adequate knowledge for conducting public procurement. Tender procedures are commonly cancelled. Employees' roles in public procurement process are not defined. The employees themselves are not aware of their or others' assigned roles. No internal rule book on direct agreement procedure is in place. The procurement reports are not being sent to the Agency for Public Procurement;

- (1) point if the municipality minimally complies with the BiH Law on Public Procurement. Such municipalities have no internal rule book on public procurement. The employees conducting public procurement have not been trained and/or have not acquired adequate knowledge. The roles in the process are not defined and employees are not clear as to who prepares tender documents and public procurement notices and whether it is a role of the evaluation committee. The mandate and tasks of the evaluation committee are not regularly specified and updated. The procurement reports are not being sent to the Agency for Public Procurement on a regular basis, usually exceeding the time frame set out in the Law. There is no procurement plan in place. Failure to coordinate activities on tender documentation and procurement notice preparation often result in discrepancies between the two documents. Tender procedures are commonly cancelled. The Municipality is not aware and/or does not apply models for standard tender documentation. No internal rule book on direct agreement procedure is in place. The procurement reports are being sent to the Agency for Public Procurement but not on a regular basis, usually exceeding the time frame set out in the Law;

- (2) points if municipality is beginning to comply more fully with the BiH Law on Public Procurement. The internal rule-book on public procurement is under preparation. The employees have received training on public procurement but are only partially knowledgeable. The employee's roles in the public procurement process are partially defined (for example the same people may prepare the tender documents and evaluate the bids), but they are not completely aware of their roles and proper assignments. The evaluation committee meets on an *ad hoc* basis. The mandate and tasks of the evaluation committee are not specified and regularly updated. For different procurements the same committee members may be in charge. The municipality rarely consults either in-house or external technical experts when conducting the procurement. The procurement reports are being sent to the Agency for Public Procurement but not on a regular basis, usually exceeding the time frame set out

in the Law. Internal rule book on direct agreement procedure is being under preparation. The Municipality is not aware of and/or does not apply the models of the standard tender documentation;

- (3) points if municipality complies with the BiH Law on Public Procurement, the internal rule-book on public procurement exists or is under preparation. In such municipalities, the employees have received training on public procurement and have gained some knowledge, but need and desire additional training. The roles in the public procurement process are partially defined. Terms of references and tasks of the evaluation committee are not being specified on a regular basis. In cases where specific expertise is not found internally, the municipality rarely hires external experts. The municipality is aware of and applies the models of standard tender documentation and has its internal rule book on direct agreement implementation as required by the by-laws. The procurement reports are being sent to the Agency for Public Procurement but not on a regular basis, usually exceeding the time frame set out in the Law;
- (4) points if municipality complies with the BiH Law on Public Procurement and accompanying by-laws, with an internal rule-book on public procurement including the organizational structure for public procurement implementation. In such municipalities the rule book may need to be updated and, although the municipality has initiated and/or received training on public procurement, employees still need and desire additional training and knowledge. The Municipality has a procurement plan and implements it in accordance with the budget. Evaluation committee members change in accordance with the specific procurement but always include some of the evaluation committee members knowledgeable on the law as well as technical experts for specific procurements. As need be, the municipality hires external experts. The procurement reports are being sent to the Agency for Public Procurement but not on a regular basis, usually exceeding the time frame set out in the Law. No procurements are conducted contrary to regulations. The Municipality is aware of and applies the models of the standard tender documentation and has its internal rule book on direct agreement implementation as required by the by-laws;
- (5) points if municipality fully complies with the BiH Law on Public Procurement and accompanying by-laws, has an updated internal rule-book on public procurement, has an optimal organizational structure for public procurement implementation in place (*for 5+:* ***Ideal situation:*** *a full time employee [or employees] coordinates all the procurements; the teams working on preparation of tender documentation and evaluation of tenders include different members*). The Municipality has initiated and/or received training on public procurement implementation and the law and has ongoing plans for training employees as the law changes. The public procurement plan is in place and does not deviate from the adopted budget. The evaluation committee members' duties and their terms of reference are clearly defined by the Mayor on a regular basis. The evaluation committee members change in accordance with the specific procurement but the committee always includes some of the evaluation committee members knowledgeable on the law as well as technical experts for

specific procurements. As need be, the municipality hires external experts. The procurement reports are being sent to the Agency for Public Procurement on a regular basis and within the time frame set out in the law. No procurements are conducted contrary to the regulations. The municipality is aware of and applies the models of standard tender documentation and has its internal rule book on direct agreement implementation as required by the by-laws.

4. Policy and Accountability
(max 20 pts)

4.1 Municipality is Actively Participating in Process of Policy Reform

- (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.

4.2 Municipality is Actively Involved in the Work of Municipal Association

- (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.

4.3 Municipality's Capacity to Share Vital Records

- (0) points if municipality has no electronic data entry;
- (1) point if municipality enters data partially electronically;
- (2) points if the municipality completely enters data electronically;
- (3) points if the municipality initiates changes and takes actions regarding electronic data entry and vital records sharing;
- (4) points if the municipality implements legislation and technical solutions to electronic data entry and vital records sharing;
- (5) points if the municipality has the capacity to share vital records.

4.4 Municipality's Role in Improving Intergovernmental Communication

- (0) points if municipality takes no steps to help improve intergovernmental communication;
- (1) point if municipality takes steps/actions to define community or municipal needs for potential communication of those needs;
- (2) points if municipality analyzes the effect of implementation of legislation or regulation enacted by higher levels of government;
- (3) points if municipality responds to initiatives from higher level governments or the associations identifying needs and the effect of legislation or regulation (passive communication);
- (4) points if municipality takes initiatives to communicate with other levels of government either directly or through municipal associations as to needs and the effect of legislation or regulation;
- (5) points if municipality actively engages in communication with other levels of government either directly or through municipal associations, assisting in advocacy for legislative change.