



Governance Accountability Project
Projekat upravne odgovornosti

P-BMP AND MCI BASELINE SURVEY REPORT

GOVERNANCE ACCOUNTABILITY PROJECT, PHASE II

April 2008

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**Koninkrijk
der Nederlanden**



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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

PMP and MCI Survey Timeframe and Participants

This survey represents the baseline survey for the project second phase, but using and relying on existing historical data from the previous phase of the project.

All data were collected from April 1, 2008 to May 15, 2008. Data processing and analysis took place in the first half of May 2008. Data for all GAP municipalities were collected in a timely manner with considerable efforts being made by all of the GAP staff along with other regular duties in project start-up. 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 Monitoring Plan (PMP)

The Performance Monitoring Plan (PMP) is an important tool for managing and documenting portfolio performance. It enables timely and consistent collection of comparable performance data, which allows project managers to make informed decisions on the overall management of the project as well as any necessary changes in the project design.

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

Performance Indicators' Baseline Data

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

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

Among third cohort municipalities, there is no municipality that has a facility which can fully satisfy citizen requirements. However, ten municipalities have facilities called "šalter sala" with different level or professional services provided in them. These municipalities are Cazin, Ribnik, Šipovo, Ilidža, Ilijaš, Trnovo, Visoko, Gračanica, Kladanj and Petrovo, while municipalities Bosanski Petrovac, Čitluk, Livno, Široki Brijeg and Banovići have no any kind of the facility that enables easier, more pleasant and professional municipal services.

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

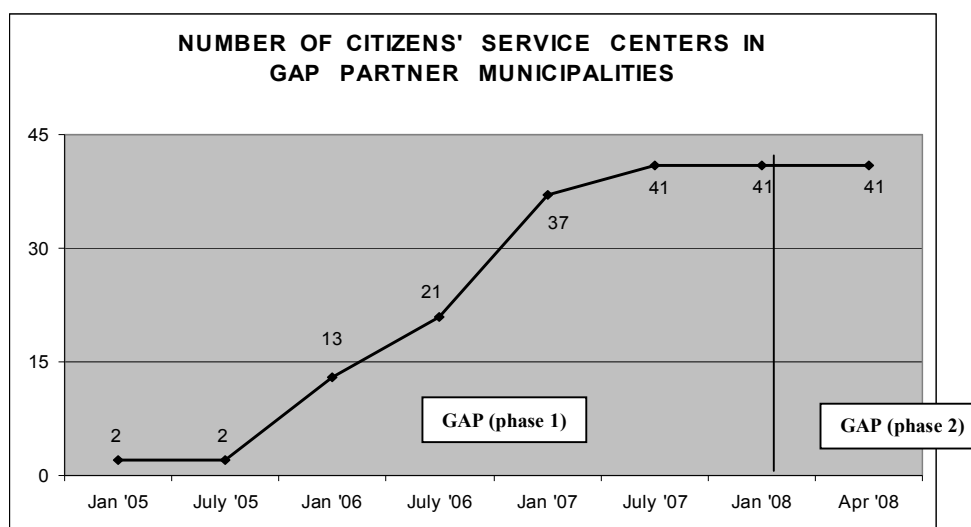


Fig. No. 1

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

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

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

- municipal personnel issues,
- urban planning issues,
- public procurement,
- business permitting,
- social welfare,
- construction permits,
- infrastructure,
- economic-finance related issues,

- property related issues,
- municipal inspections,
- other issues.
- war veterans issues,
- cadastre issues, and

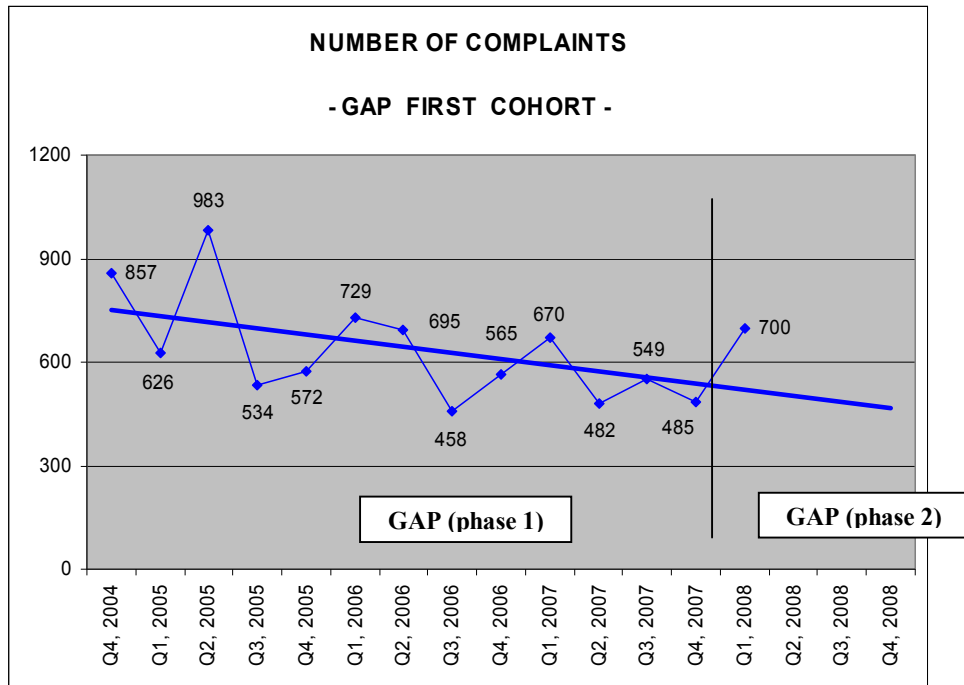


Fig. No. 2

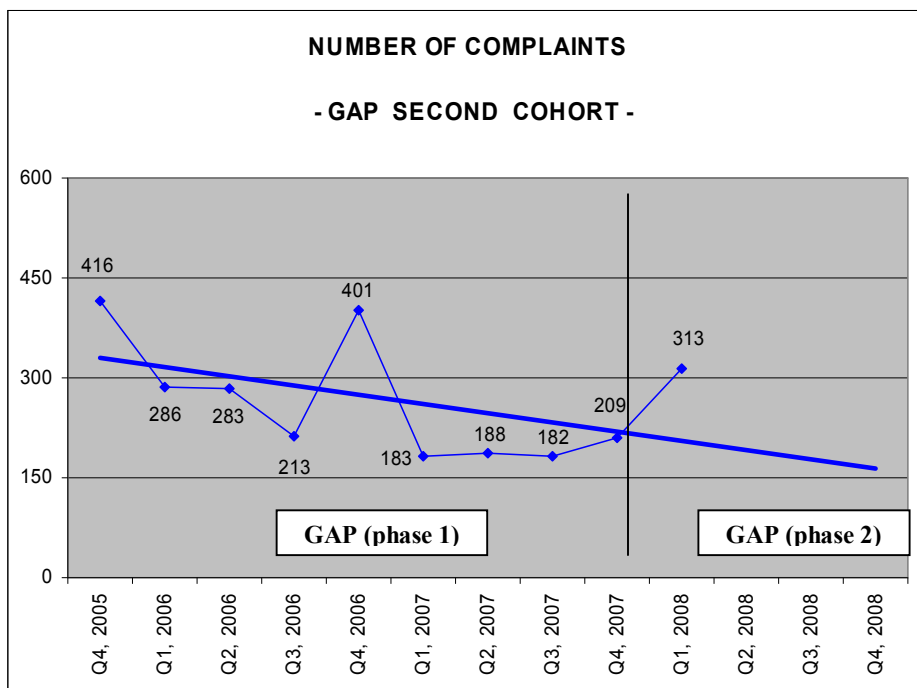


Fig. No. 3

The trend lines continue to decline with the both cohorts of municipalities reflecting increased municipal accountability and more efficient services to citizens, with some jump in last quarter, possibly due to lack of GAP intense monitoring in transition period between two project phases.

Baseline data for this performance indicator were also established for the third cohort of municipalities. In these municipalities, citizens filed **275** complaints and appeals in first quarter of 2008.

1.1-3 Proportion of complaints submitted to municipalities resolved

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

Data concerning the number of resolved complaints complement the statistics on the number of complaints recorded and provide a more realistic picture about municipal attitudes regarding citizen services. Figures No. 4 and No. 5 present the percentage of complaints resolved, through last fourteen quarterly records in first cohort municipalities and last ten quarterly records in second cohort municipalities. The overall trend lines continue in a positive direction, recording some drop in percentage of complaints resolved in last quarter with both legacy cohorts, caused probably by same reasons specified with previous performance indicator.

Fist time, data were established for the third cohort municipalities for this performance indicator as baseline data. Percentage of the complaints resolved among these municipalities is very similar to legacy cohorts and is **32.7** percent.

Since, GAP monitoring and evaluation system provide origin and gender disaggregated data for this performance indicator, it is interesting to notice that percentage of complaints resolved for males and females is almost the same in all three cohorts. However, the percentage of complaints resolved filed by businesses has been doubled in both legacy cohorts during the GAP life, what significantly improved business satisfaction with municipal services delivery by businesses and created more business friendly municipalities.

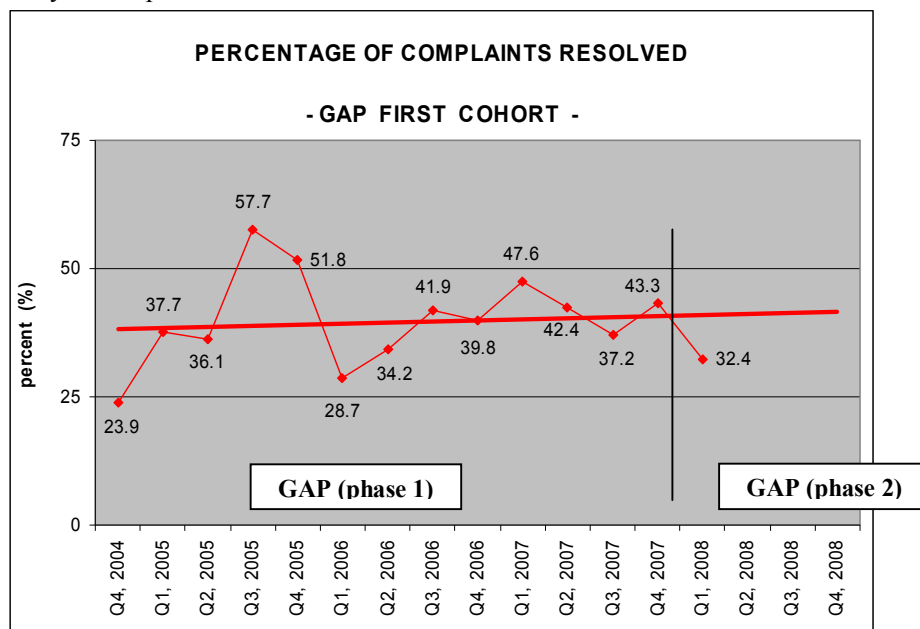


Fig. No. 4

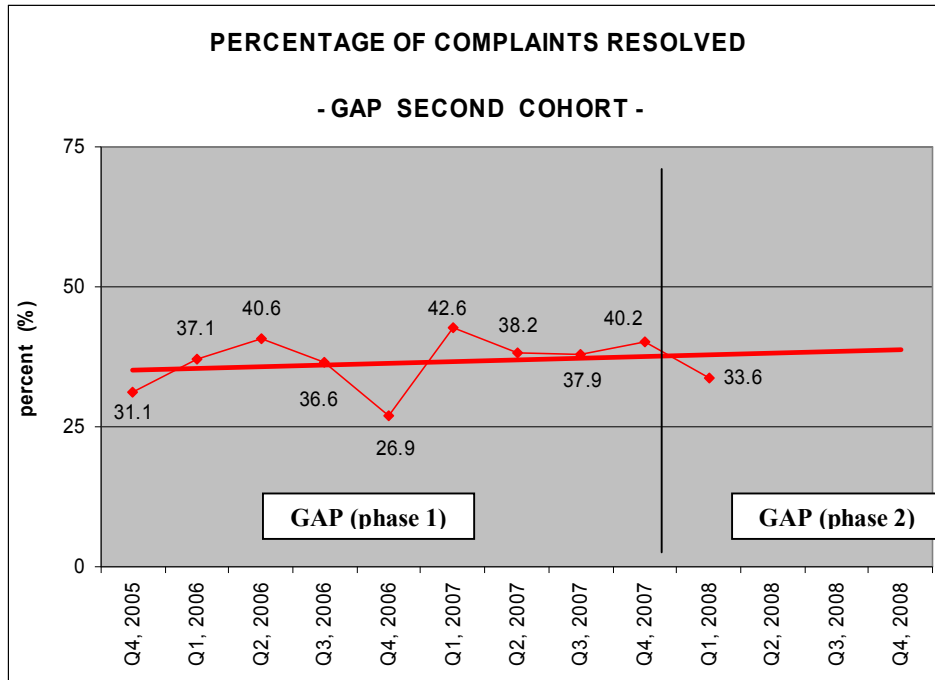


Fig. No. 5

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

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

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

Assessments for service delivery were performed for all twelve categories based on two criteria. First, the number of services (volume of services provided) provided by the municipality, and second, the average time needed for delivering these services. Figures No. 6 and 7 show the number of services provided by first and second cohorts municipalities over the measurement periods.

The first cohort municipalities recorded a significant increase in number of services provided comparing to last quarter as well as the second cohort. Both trend lines are achieving expected (rising) directions. The third cohort municipalities recorded 86,064 services provided to their customers in first quarter, 2008.

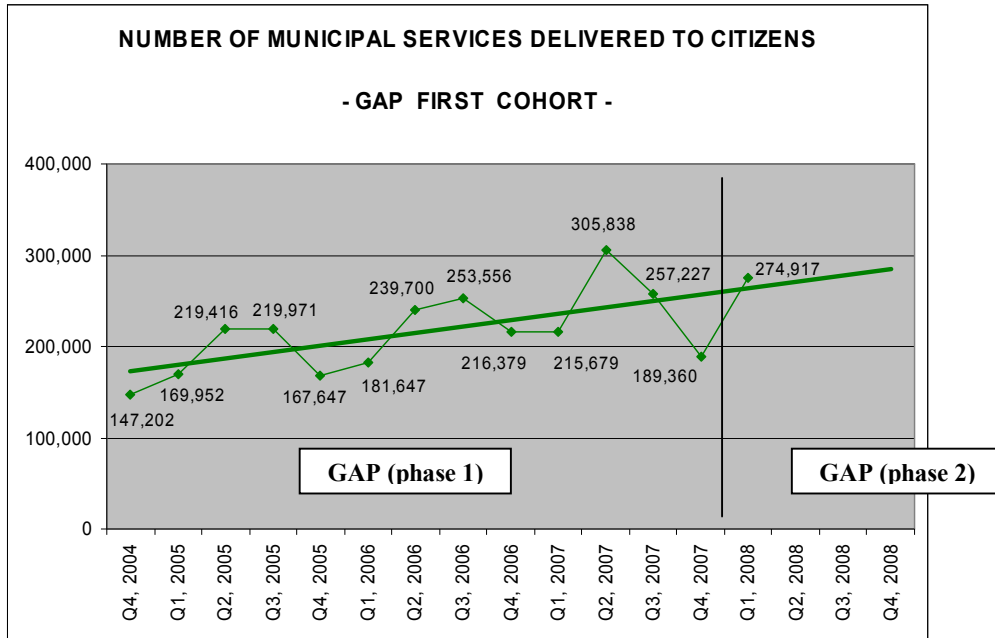


Fig. No. 6

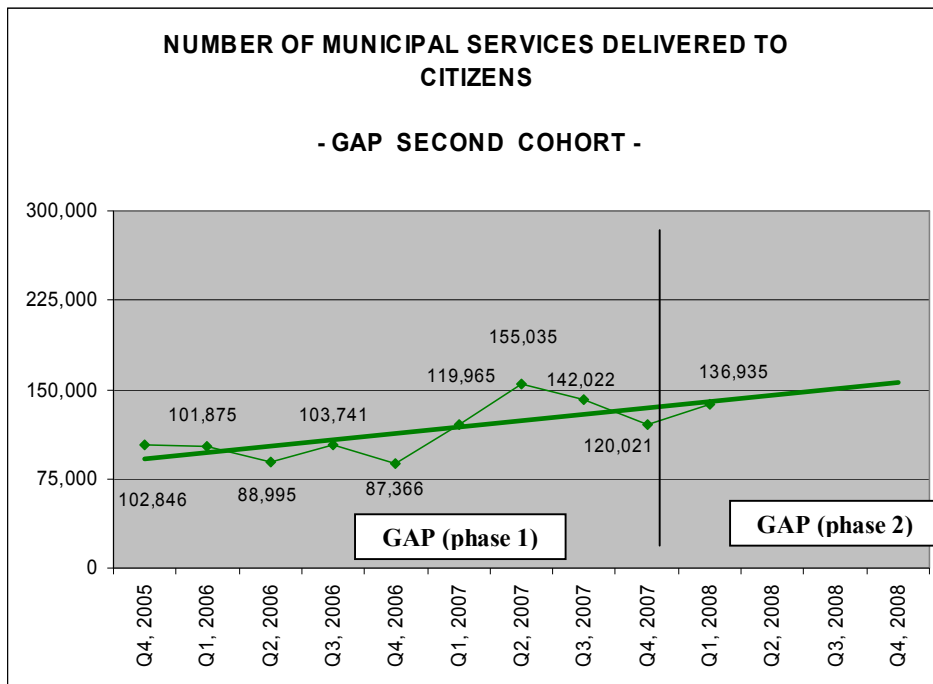


Fig. No. 7

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

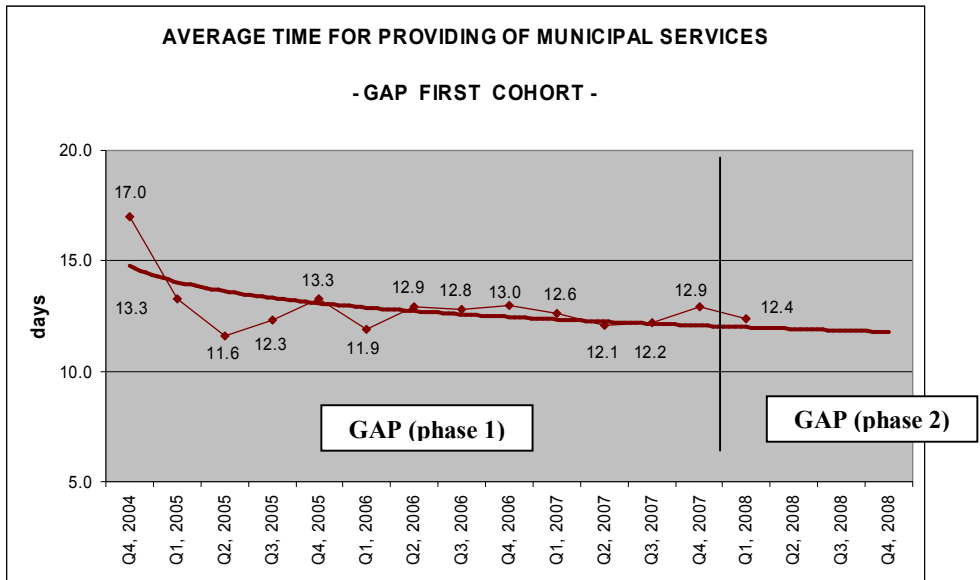


Fig. No. 8

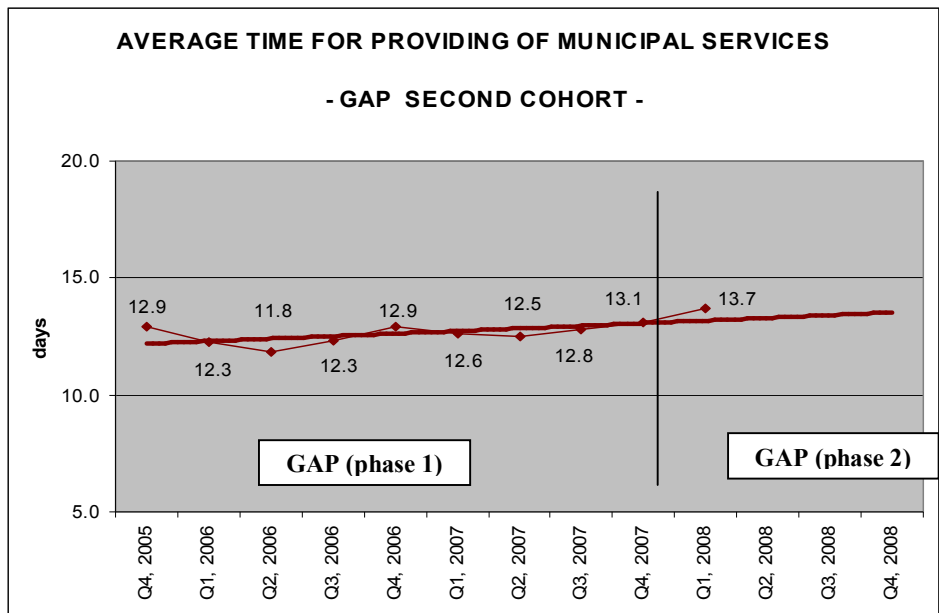


Fig. No. 9

The trend lines generally show decreasing average time (in days) for providing municipal services to citizens and other clients in the first cohort, while the average time for providing municipal services in second cohort is relatively steady, but on the level of the first cohort municipalities.

The baseline data for the fifteen new GAP partner municipality is **15.7 days** that was recorded in the last quarter.

One of the high volume transactions in each municipal citizen service center is issuance of birth, death, wedding and citizenship certificates. Considering all fifty-six GAP partner municipalities,

approximately 390,000 such certificates were issued in the most recent quarter, or an average of about 7,000 per municipality.

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

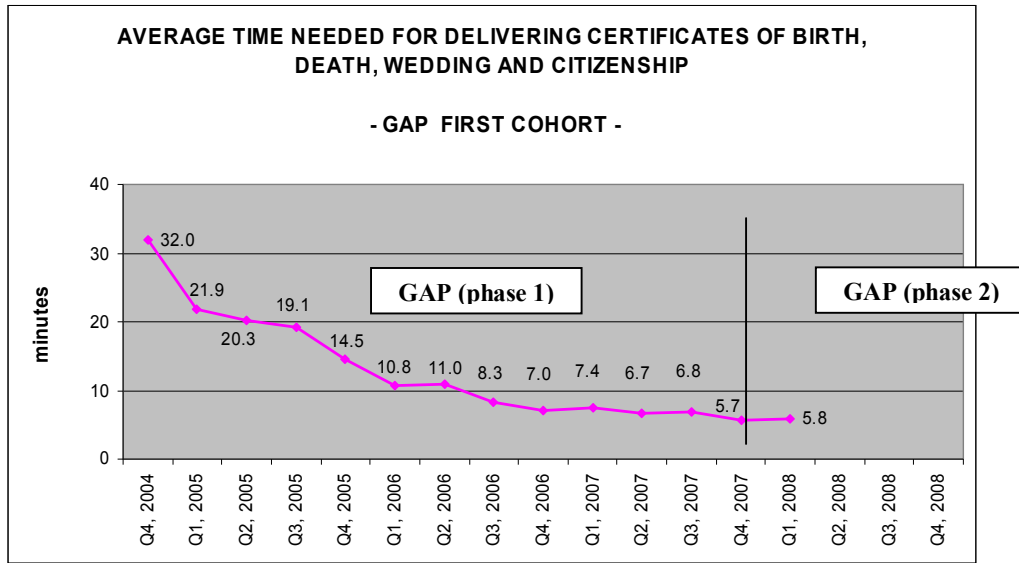


Fig. No. 10

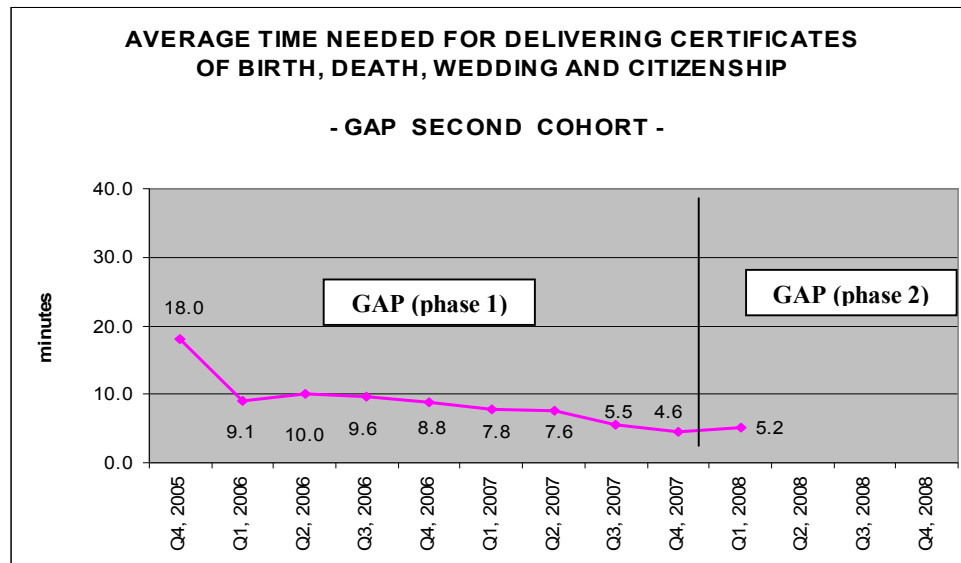


Fig. No. 11

Average time for issuance of birth, death, wedding and citizenship certificates among the new GAP partner municipalities is more than **two and half hours (151.2 minutes)**. However, it is expected that

after establishment of CSCs in these municipalities, the time will be reduced to similar figure like in legacy municipalities.

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

1.1-5 Percentage of citizens satisfied with municipal services delivery

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

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

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

However, survey from April 2007 showed for the all GAP legacy municipalities that eighty-four (84) percent of citizens are generally satisfied with municipal services (“very satisfied” or “satisfied”), which was a 14.5 point increase compared to the baseline values. Fourteen (14) percent of citizens were not satisfied comparing to twenty-nine (29) percent from the earlier survey. Two percent of citizens did not know or did not wish to answer (see Figure No. 12).

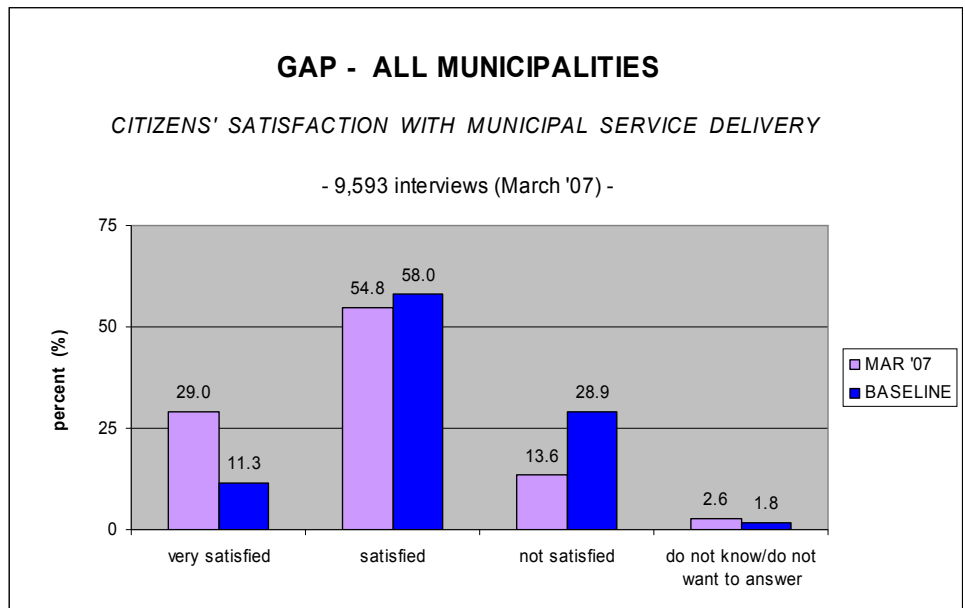


Fig. No. 12

1.1-6 *Percentage of citizens satisfied with service outcomes in individual municipalities*

Specifics will be determined in Municipal Action Plans (MAPs). After adoption of MAPs, baseline survey will be conducted.

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

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

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

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

Twenty-three out of forty municipalities that have installed integrated budget and finance software use it efficiently, while eight municipalities do not use it by its full potential and capabilities. Five new municipalities need additional training for newly installed modules. Four remaining legacy municipalities (Prozor-Rama, Tomislavgrad, Travnik and Vogošća) require also more training and close GAP monitoring in future.

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

This performance indicator will be surveyed in municipal budget analysis, which will take place in July 2008. Separate report will be submitted displaying findings related to this performance indicator.

1.2-3 *Rate of collection for each major revenue source*

This performance indicator will be surveyed in municipal budget analysis, which will take place in July 2008. Separate report will be submitted displaying findings related to this performance indicator.

1.2-4 *Ratio of capital outlays to operating expenditures*

This performance indicator will be surveyed in municipal budget analysis, which will take place in July 2008. Separate report will be submitted displaying findings related to this performance indicator.

1.3-1 Number of GAP2 municipalities implementing capital improvement plans

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

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

Among the second cohort, the following municipalities implement capital improvement plans: Bužim, Gradiška, Srbac, Teslić, Nevesinje, Posušje, Kakanj, Travnik, Vogošća, Čelić, Doboј-Istok and Gradačac.

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

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

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

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

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

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

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

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

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

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

It is also important to note that FBiH municipal association shared with GAP a list of policy priorities collected from municipalities in this year. Based on the list obtained from the association, GAP organized a debate in which 56 municipalities participated and discussed policy reform. The event was part of the GAP partner conference on February 22nd.

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

The methodology for survey of this performance indicator is reviewing and analysis of Municipal Capacity Index (MCI) indicator's 4.2 findings. The title of this MCI indicator is "Municipality is Actively Involved in the Work of Municipal Association. GAP Policy Team established the following criteria and ranked each GAP partner municipality according to them. The criteria are as follows:

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

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

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

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

FBiH Municipal Association had two major activities since the mobilization of GAP (phase2). These activities were:

- draft of number of amendments to the draft Law on Cadastre that has entered parliamentary procedure in February 2008; and
- draft of the Law on Status of Employees in Local Self-Government Units and the Law on changes of the Law on Governance Organization. The Association notified the Federal Parliament and Ministry of Justice on this initiative.

Regarding reforms, RS municipal association proposed changes and amendments to the RS Law on Local Self-government and forwarded it to the RS Ministry for LSG and RS government.

Regarding process specified in the Work Plan related to this performance indicator, it will be displayed activity by activity versus expectations from the Work Plan:

A.1 Work with municipal associations and mayors/municipalities to define an initial list of policy priorities

- Obtain and review list of policy priorities previously collected by municipal associations
- Work with associations to survey mayors for additional input regarding priority policy issues
- On February 22, at the GAP Mayors' Conference, organized a policy discussion with all GAP mayors to further define and refine the list of policy priorities and objectives for the coming year

A.2 Define and sign MoUs with municipal associations

- Draft MOU; review and negotiate with Association leadership and staff in both entities
- Sign MOUs with both entity municipal Associations

A.3 Institutionalize consultative process to engage Mayors in setting the advocacy agenda

- Assist associations in data-gathering to determine policy priorities, querying municipalities through appropriate research methods regarding specific policies and provisions of law, current practices, and revenue collection and allocation. Present results of this query
- Provide assistance to committees/boards of municipal associations and their professional staff in data analysis and definitions based on this query. Produce a written analysis

- Using this analysis, Work with association committees/boards to identify and formulate policy priorities and solutions. Present a list of policy priorities
- Support the process of adoption of policy priorities and solutions within the association committees/boards and presidency. Facilitate meetings of the committees
- Assist in the production of a draft policy agenda for municipal associations, committees and presidency as an overall plan for policy reform
- Provide advice in the process of advocating and promoting the policy agenda

A.4 Build advocacy skills of municipal associations and support strategic partnership

- Work with municipal associations and government agencies to improve the tools (surveys, data collection, analysis) necessary for determining advocacy agenda
- Setting up the policy agenda and determining policy priorities, assist municipal associations in designing a corresponding advocacy agenda and lobbying strategy, including: identification of individual policy goals, design of a corresponding advocacy strategy for each policy goal, and assignment of responsibilities and timelines for implementation
- Work closely with associations to help them mobilize mayors and assembly members to advocate for the adoption of specific measures. Facilitate meetings, conferences or workshops as appropriate
- Design tools and mechanisms for monitoring the legislative process and assist municipal association in their use
- Identify stages of the government/parliament legislative process where advocacy and monitoring tools and skills can best be applied, to will help position municipal associations as an integral part of that process.
- Assist municipal associations in monitoring the legislative process and reviewing, legislation changes and promoting their proposals for policy changes

A.5 Institutionalizing inter-governmental cooperation

FBiH:

- Establish the Coordination Committee for Implementation of LSG Law in FBiH to institutionalize cooperation between higher level government, local government, and municipal association on implementation of the Law
- Assist FBiH association in preparing the MoU on cooperation with the FBiH government

- Assist FBiH association in the process of proposing the MoU to the FBiH government. Facilitate and organize meetings as necessary
- Organize an official ceremony for the signing the MoU between the FBiH association and government
- Implement regular and intermittent mechanisms for communication between municipal associations and the FBiH government, including a Code on Intergovernmental Cooperation
- Draft the Code
- Present the Code to Association Presidency, refine it and adopt
- Propose the Code to the Government

RS

- Meeting between the RS association and the RS government on ways to operationalize the existing MoU
- Follow up to the meeting: define priorities and determine responsibilities. Identify specific examples of future cooperation and provide assistance as necessary
- Following an agreement with the Government, establish formal communication about Government activities in order to the Association to be able to react to the issues that concern LGs
- Work with the RS association presidency to promote establishment of a Committee for LSG in RS National Assembly. Organize a meeting between RS NA leadership and a delegation of the Association presidency . Present some best-practices, including the LSG Committee in FBiH Parliament
- If the RS NA agrees to set up a Committee – GAP will assist in establishing a regular communication with the Association, ensure that regular consultations are held, that Association is invited to comment on Laws that concern LGs. If the RS NA does not agree to set up the committee, GAP will continue to promote this idea through the Association and seek opportunities to implement it at a later stage
- Following establishment of the NA Committee, provide assistance in conducting analyses and organizing meetings or seminars as appropriate in conjunction with Municipal Association
- Discuss the development of a Code on Intergovernmental Cooperation with the Association and RS Government.
- If requested by the Association Presidency or the RS Government, begin drafting a Code on Intergovernmental Cooperation for the RS

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

Since the project start up to the time of baseline survey, GAP Policy Team received the list from RS LSG Ministry which showed that 39 out of 62 municipalities in the RS enter the data electronically. Taking in consideration short time from the project start, no reforms have been introduced in this regard.

Considering process and achievements related to the implementation of this activity for the year one, GAP Policy Team completed first of eight planned steps displayed below:

- Request the list of municipalities from the RS Ministry for LSG in order to determine how many municipalities use electronic document processing for vital records ■
- Collect information through the municipal association on municipal electronic document processing in the FBiH □
- Organize meetings with associations to present an analysis of the issues concerning electronic document processing □
- Assist the association committees/boards to produce an analysis of the legal barriers to electronic document processing □
- Work with the stakeholders to address these legislative barriers and define legal solutions to e-document processing □
- Provide draft legislative proposals to the municipal associations and relevant ministries □
- Promote changes to the governments/parliaments and assist with an advocacy strategy □
- Work on the adoption of the proposed legislation, its implementation and potential expansion, and promote this new model of document processing □

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

Similar as for the previous performance indicator, GAP Policy Team had one activity, and no reforms introduced so far. GAP Policy Team completed first of eight planned steps displayed below:

- Organize a meeting with the RS Ministry for LSG to discuss the possibilities for vital records sharing ■
- Interview Citizen Identification and Protection System (CIPS) representatives, UNDP, individual municipalities, and relevant ministries at all levels □
- Produce an analysis of legislative barriers and define technical requirements necessary for vital records transfer □
- Work with relevant stakeholders (Associations, relevant ministries and institutions, e.g. CIPS, and other international projects) in identifying possible technical and legal □

- solutions for vital record transfer. Draft technical and legal solutions
- Agree on the proposed draft technical and/or legal solutions within the municipal associations and with other relevant stakeholders
- Adopt the proposed technical solution within the municipal associations and other relevant stakeholders
- Facilitate the process of promoting and creating the support for proposed solutions
- Facilitate the process of implementation of solution which will enable vital record transfers

2.2-3 Number of partner municipalities processing documents electronically

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

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

The data for the FED BiH are expected in summer 2008.

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

No GAP partner municipalities transfer vital records to other municipalities.

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

Related to this performance indicator and GAP WP Activity C.4 - Drafting of a New Law on Civil Service in Local Self-Governance, FBIH Municipal Association has drafted the Law on Status of Employees in Local Self-Government Units and the Law on changes of the Law on Governance Organization. The Association sent a letter to the Federal Parliament and Ministry of Justice informing them that new laws are being prepared, and asking them to exempt municipalities from the FBIH Civil Service Law.

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

The data for the total public sector revenue accruing to municipal sector for year 2007 will be made available probably in June 2008. In year 2006, it was 14 percent.

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

The survey conducted by GAP Capital Team showed that all GAP partner municipalities took fifty-seven loans, totaling **86,123,383.09 KM**. Average loan amount of partner municipalities is approximately 1.5 million KM. However, average loan amount among RS partner municipalities is around 2.5 mil KM and among Fed BiH, a bit more than 1.0 mil KM. Nineteen out of fifty-six municipalities have no loan to pay off right now.

Among GAP partner municipalities, just three municipalities (Banja Luka, Tuzla and Gradiška) took sixteen loans totaling more than 40 mil KM, or 47 percent of total GAP partner municipalities debt.

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

	FED (KM)	RS (KM)	TOTAL (KM)
I COHORT	24,825,277.21	24,321,921.35	49,147,198.56
II COHORT	4,946,932.91	19,477,330.26	24,424,263.17
III COHORT	10,835,739.36	1,716,182.00	12,551,921.36
GAP	40,607,949.48	45,515,433.61	86,123,383.09

Table No. 1

Nine commercial and development banks gave loans to GAP partner municipalities. The biggest number and amount of loans to GAP partner municipalities were provided by Hypo Alpe Adria Bank, thirteen loans, totaling more than 22.5 mil KM or 26 percent total GAP partner municipalities' debt.

3.2-1 Number of GAP partner municipalities engaging STTA

Just **seven** 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. These municipalities are Bihać, Mrkonjić Grad, Novo Sarajevo, Tuzla, Gradiška, Čelić and Trnovo. As level of effort in last six months, they engaged fifty-seven consultancy days for training purpose. The participation in trainings provided is measured by 295 men-days.

However, municipalities also received significant consultancy assistance and training by regional development agencies (ARDA, REDAH, SERDA, NERDA, REZ) and municipal associations on different municipal development topics. They did not directly engaged this consultancy services, however, municipalities financially contribute in work of such agencies and associations. In these regard it was provided to municipalities 163 consultancy days of training, with 978 men-days in participation by municipal employees.

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

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

The GAP partner municipalities that provided assistance to other municipalities in BiH are Mrkonjić Grad, Sanski Most, Lopare, Gradiška, Srbac, Teslić, Posušje, Foča, Vogošća, Gradačac and Živinice.

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

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

Municipal Capacity Index (MCI)

The *Municipal Capacity Index (MCI)* is a weighted index that measures the performance of participating municipalities in four areas of GAP assistance. The Municipal Capacity Index has been developed to provide a realistic, objective evaluation of the improvements of project municipalities in the areas specified by the JMC.

The MCI attempts to convert a complex set of qualitative data and presents it in a quantitative measurement: a score from 0-100 for each municipality.

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

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

Within each category, a number of indicators have been established, each valued at a maximum of five points. These indicators are tied to specific outputs specified in the Scope of Work for the second phase of GAP. Each question is graded on a five point scale. Most of the questions, unless otherwise stated, following the same scoring progression: zero points - municipality is not in compliance with the law or ideas espoused by the program; one point - municipality is compliant with laws or has reached a minimum standard; two points - some additional steps have been taken to improve compliance; three points - further steps toward compliance have been taken, or the concepts better integrated, or with a view toward longer term planning; four points - citizen feedback is incorporated into the reform or a more formal and comprehensive procedure has been adopted; five points - municipality has reached the ideal level, the impact is clearly recognized, and institutionalization is assured. Scores are progressive. A municipality must meet all the criteria assigned to points 1, 2, 3 and 4 before it can be considered for a 5 point rating.

MCI data are used to evaluate project success by region, by category and over time. Data from partner municipalities are evaluated against data collected in municipalities not participating in GAP. These municipalities will serve as a control group from which to assess general reforms that may be occurring unrelated to the project interventions. As the project proceeds and new project municipalities are added, baseline data for the new municipalities will be gathered. GAP will be providing MCI scores every six months. GAP specialists in specific fields of expertise awarded a rating to municipalities in these specific fields, and the M&E Specialist did data analysis and processing.

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

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

Municipal Capacity Index (MCI) Findings

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

The baseline MCI measurement shows that legacy municipalities' composite MCI Index is **52.6** out of 100. Average first cohort MCI is **52.1** and **53.2** for the second cohort municipalities. However, average MCI among new fifteen municipalities is significantly lower (**31.4 points**), so currently composite GAP MCI is **47.3**

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

The biggest MCI scoring was recorded in Novo Sarajevo (**74 points**) and the lowest in Ribnik from new cohort of municipalities - 21 points.

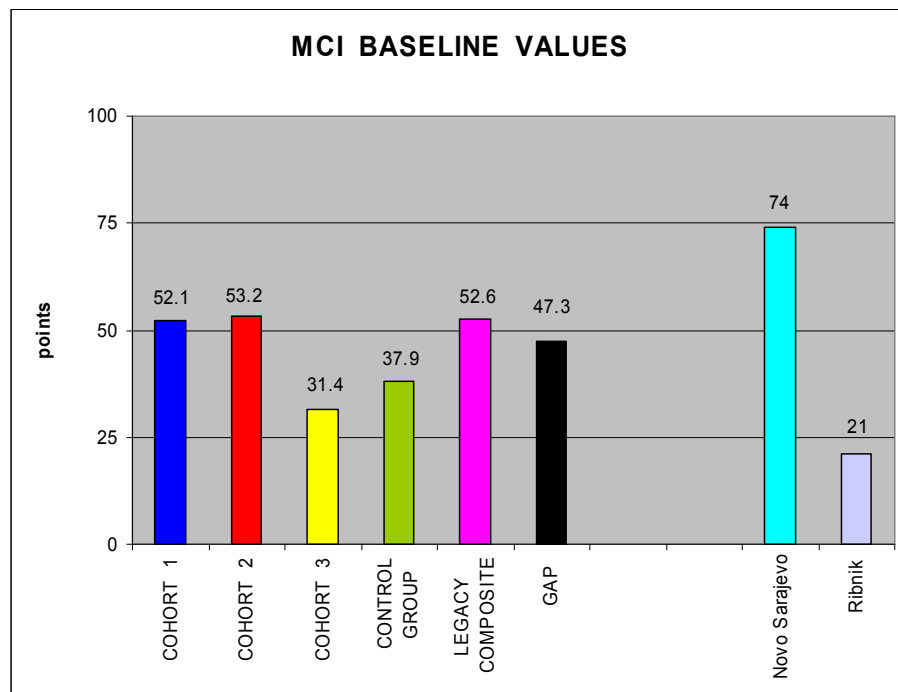


Fig. No. 13