



PROGRAM CONTRIBUTION AGREEMENT

Between the United States of America, acting through the United States Agency for International Development (“USAID”) and United Nations Development Programme (“UNDP” or “Recipient”)

1. Activity Title: STAR 2- Consolidation of the Territorial and Administrative Reform in Albania
2. USAID Activity Number: AID-182-IO-16-00001
3. Purpose: USAID and the Recipient hereby agree to support Consolidation of the Territorial and Administrative Reform in Albania (hereafter, “Activity”) taking advantage of the benefits of participating in a multi donor multi-donor efforts administered and implemented by the UNDP to provide a unified international voice to strengthen institutional and administrative capacities of Local Government Units(LGU), improve service delivery at LGUs level and increase good governance through citizen oriented and meaningful participatory decision-making.
4. USAID Grant: Pursuant to its authorities under the Foreign Assistance Act of 1961, USAID hereby grants to the Recipient U.S. \$100,000 to be expended as described in this Agreement. The purpose of the Agreement is met upon disbursement by USAID to the Recipient.
5. Estimated Completion Date: 09/30/2017
6. This Agreement consists of (a) this Title Page , (b) Annex 1, the Program of Work Description and (c) Annex 2, Indicative Budget for the activity.
7. Disbursement. Within 30 days of the last signature to this agreement, USAID will disburse the Program Contribution to the Recipient in U.S. Dollars by electronic funds transfer to the following site:

Account Name:	UNDP Contribution
Account Number:	015002284
Bank Name:	JP Morgan Chase
Bank Address:	270 Park Ave. 43rd floor NY, NY 10017
SWIFT Code:	CHASUS33
ABA code:	021000021
8.
 - a. Recipient agrees to furnish USAID an annual financial statement, certified by the UNDP Bureau of Management/Office of Financial Resources Management, concerning the outputs of the account supported by this Agreement. These annual statements will be provided by June 31 of each year of the period covered by this contribution.
 - b. The Recipient confirms that this award will be administered according to the Financial Regulations of UNDP. The expenditure will be recorded in the accounts of the Recipient, which follow generally accepted accounting principles and will be subject to audit in accordance with the Recipient’s standard audit procedures.

9. Information and Marking. The Recipient will give appropriate publicity to the Agreement as a program to which the United States contributes.
10. Termination and Other Remedies.

a. Either party may terminate this Agreement in its entirety by giving the other party 90 days written notice. In addition, USAID may terminate this Agreement in whole or in part, upon giving the Recipient written notice, if the Recipient substantially fails to comply with any provision of this Agreement, after efforts have been made by both parties to resolve the issues.

b. In the event of termination by USAID or in the event of termination by either party in the event of force majeure circumstances, the termination will not apply to funds irrevocably committed in good faith by the Recipient, including those entered into with third parties, before the termination date indicated in the notice of termination, provided that the commitments were made in accordance with this Agreement. Any portion of this Agreement which is not terminated will remain in full force and effect. If, however, the Recipient considers that the reduced funding makes the continuation of the Activity, or any part of the Activity, impracticable, the Recipient may terminate the Agreement in whole or in part.

c. USAID, notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Recipient to refund a proportionate amount of the Grant in the event that the cost of the Activity is below total contributions by donors. If the provided, unspent balances attributed to USAID, as of the estimated completion date, is two percent or less of the amount contributed under this Agreement, then the Recipient may apply these balances to the continuation and close-out of the program of work beyond this date. The Recipient agrees to report to USAID within 90 days on how the balances were used for the purposes of this Agreement. In all cases, the Recipient must contact the USAID financial management representative listed below within 90 days of the estimated completion date, in the event of the availability of unspent and uncommitted funds.

11. Other Provisions.

a. Consistent with numerous United Nations Security Council resolutions, including [S/RES/1269 \(1999\)](#), [S/RES/1368 \(2001\)](#), and [S/RES/1373 \(2001\)](#), both USAID and the Recipient are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. It is the policy of USAID to seek to ensure that none of its funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism. In accordance with this policy, the Recipient undertakes to use reasonable efforts to ensure that none of the USAID funds provided under this Agreement are used to provide support to individuals or entities associated with terrorism.

12. USAID Mailing Addresses:

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Date: 12 Oct 2016

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Signature:

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Date: 10/18/16

Grant No. AID-182-IO-16-00001

Annex 1- Program Description

II.1. Project Rationale

The territorial and administration reform to date represents changes in the structural dimension of the local public administration. The advent of the territorial and administrative reform and the subsequent policy developments in several relevant sectors mean that support for local governance is at present not “business as usual.” The reforms set in 2014 and 2015 create the momentum and rationale for continued support to local governance through the coordinated mechanisms of STAR.

The new municipalities need to reorganize themselves internally to ensure maximum efficiency and effectiveness in the administration of the territory. A recognized key ingredient for empowerment is the amount and sustainability of local finances. Local finances are still at a low level. Despite the genuine and legitimate local governments’ need for increased financial resources, such an increase by itself would not necessarily turn them into more effective, citizen-oriented service providers. The new administrations will also need to develop the vision, skills, consistency, sustainability and commitment to serve its citizenry in new, transparent and accountable ways.

Local authorities are also the best placed to develop local policies that reflect specific socio-economic situations, address the persistence of inequality and promote models of responsive governance for the diverse expectations and needs of the citizens. In that view, Albania’s legal and policy frameworks on gender equality have significant implications for local government in relation to the practical implementation of respective laws and policies in its daily work. Decentralization (as a part of good governance) should respect principles of gender equality and involve not only the vertical transfer of power, responsibility and resources but also ensure a more inclusive horizontal process that ensures that power, responsibility and resources are equally shared by both women and men and that differentiated gender needs are taken into account. On the part of local governments, this requires the embracing of the concept of gender inclusion and sensitivity and the building of capacities and skills required for taking action.

Going forward, the new 61 municipalities have in common many opportunities and challenges. In terms of opportunities, the following are, among others, important to build upon:

- There is a strong political commitment to deepen decentralization reform and empower local governments.
- This commitment is evidenced through a set of Government policies and initiatives that – though still work in progress – offer many windows of opportunity for making lasting impacts for improved territorial management, service delivery and local development.
- There is commitment by national authorities to increase the level of local government resources – presently the increase has affected the envelope of the Regional Development Fund; a further fiscal revision, in favor of LGUs’ discretion and authority, is needed.
- Government is committed to rolling out its Public Administration Reform at the local level
- Modernization and re-engineering public services with a focus on people, including local level services, are an integral part of various national strategies and action plans for attainment within a 7-year period.
- There are a number of ongoing and planned initiatives supported by development partners that addresses a broad range of local governance policy, institutional and technical matters
- The Government is making efforts to ensure harmonized donor assistance in the framework of

budget support coordination requirements, offering the potential of increased synergies

- The current STAR platform offers a workable, proven model for government-led coordinated work
- Substantial pledges for continuation along the STAR arrangement have been made by a broad group of development partners

At the same time there are a number of challenges which require attention:

- The implementation of the Civil Service Law at the local level is in its infancy, while an overall approach of human resources management to ensure stable and adequate professionalism of local administrations still needs to be developed
- The implementation of the Organic Law on self-government requires revision of several laws/bylaws to avoid legislation conflicts
- The present is a period of transition where several competencies are not yet fully transferred to local governments, in terms of authority and finances, as defined by the legal framework, with the next challenge being the capacity to administer these new competencies.
- All local governments are struggling with structural re-organization in the territory, adding to that new governance challenges regarding the definition and establishment of urban-rural relations
- Besides human resources re-organization, there is need to reorganize and optimize services.
 - There is an immediate need for an expanded scope of services potentially requiring different provision approaches, and
 - In the meantime, current service provision still lacks efficiency and should aim for more adequacy, inclusiveness and equity with regard to diverse needs and expectations of men and women and specific vulnerable social groups.
- A more advanced level of local democracy is required to mitigate the potential adverse effects of territorial consolidation, that is to offset the increased proximity of citizens to their local governments, and strengthen accountability and transparency for improved local government effectiveness
- In addition to the fact that fiscal decentralization is not yet resulting in an increase of predictable resources, municipalities have still low revenue generation as well as revenue and expenditure management capacities.
- Systematic diagnosis of PFM systems at the local level is lacking. A number of challenges in PFM at the local level are widely recognized, including i) poor budget programming and alignment with strategic frameworks; ii) weak budget execution, financial reporting and accounting capacities; iii) inflated planning and weak tax enforcement; as well as iv) lack of consistent financial management

Rapid Municipal Survey to Inform Priorities

A simple survey addressed to all new municipalities was carried out, as part of the preparation of the present STAR2 proposal, in February 2016. The core of the survey was to ask municipalities to appraise, from their perspective, the main proposed areas of intervention for STAR2, i.e. (1) Service reorganization, (2) Support for new competencies, (3) One-stop-shops for service delivery, (4) Digitalization of local archives, and (5) Citizen-friendly municipal halls. Municipalities were also asked to rank, from their perspective, the most pressing priorities they need to address and for which they would seek assistance.

The questionnaire was conveyed to all municipalities through the two municipal associations. With an overall rate of response of 52% (49% of small municipalities and 70% of the large ones), the following are the aggregate results:

<u>Importance ranking of proposed interventions</u>	<u>Ranking of most pressing priorities</u>
One-stop-shops – 88%	Service delivery – 84%
Service reorganization – 85%	Administrative capacities – 78%
Digitalization of archives – 85%	Territorial planning – 66%
Support for new competencies –	Financial management – 59%
	Urban planning – 56%

- and control procedures, in particular with regard to internal and external audit scrutiny as well as internal financial control.¹

Beyond needs for a larger fiscal envelope, current local governments' needs for assistance could be clustered around the following three main categories:

- (i) institutional and administrative capacities,
- (ii) service delivery, and
- (iii) good and participatory governance, which correspond to the triple role of the local government as a political institution representing its citizens, a public entity delivering services and a local agency supporting local development.

The ongoing assistance, as mentioned earlier in this document, touches upon the above four areas with various intensity, depth and geographic scope. For each of these areas there are some ongoing or planned programs/projects as part of the bilateral or multilateral country development assistance frameworks of various development partners. But there are also many gaps to address in terms of geographical coverage and/or skills and practice. For example, USAID's PLGP programme, besides its policy level assistance, focuses its field operations on about 15 municipalities, the Swiss dldp programme besides its mainstream assistance to the central level operates mainly in the northern part of the country. There is, therefore, a need to support all local governments in a standardized, coherent, comprehensive and inclusive manner, to enable them to complete the transition to reformed local governance. In this respect, the wealth of good practices developed by the above ongoing programmes should be scaled up for maximizing the benefits and effectiveness of the contextual developed knowledge.

¹ A dldp rapid assessment, carried out very recently with the aim to feeding into the new Law on Local Finances, has shown as well critical lacks in guidance/legal situation towards PFM at local level, which adds to the need for addressing shortcomings on local capacities and proper oversight

This “unfinished business” of the territorial and administrative reform requires not only that further capacity building is provided across all 61 municipalities, but also that the central government has the resources to continue providing coherent policy advice and support. The success of local governance reforms overall hinges on the ability to work simultaneously at local and national level.

STAR2 is proposed as one of the instruments, under national leadership, to facilitate coherence in policy implementation, providing new management and participatory tools, scaling up agreed upon best practices (be it innovative and more efficient service delivery models, management practices and instruments, innovative good governance approaches, etc), and fine tuning response to selected capacity gaps through reaching out all municipalities and offering them the opportunity to benefit from standardized assistance.

II.2. Project Relevance

The reform and modernization of the public administration, including the decentralization reform and the strengthening of local government are core elements of the strategic development vision for Albania and among key priorities for the European integration of the country.

The draft National Strategy for Integration and Development (2015-2020) commits to developing a “public administration ... in accordance with the European Administrative Space ... to provide high quality services to citizens and businesses in a transparent, effective and efficient way, through the use of modern technologies and innovative services ... through impartial and professional civil employees as part of efficient structures”. Also, the NSDI commits to substantially advance the administrative and fiscal decentralization agendas for empowering local governments to foster sustainable local development with a high institutional integrity that enjoy public trust, [and] guarantee quality services. These commitments are set within a larger engagement of transposition of the EU Gender Equality acquis into the Albanian legislation so as to ensure gender perspective is an integral part of governing structures, policies, and planned resources.

The overall Public Administration Reform (PAR) vision is about “development of public administration, which provides high-quality services for citizens and businesses in a transparent, effective, and efficient way through the use of modern technologies and innovative services and that complies with the requirements of European integration through impartial, professional and accountable civil servants”. PAR objectives, applicable to the local level, provide for an efficient and sustainable administration that would provide accessible, simplified, integrated and citizen-centered public services with full transparency and accountability, including the establishment of integral performance management and monitoring systems.

The Strategy for Decentralization and Local Governance reiterates the aim for the consolidation of local human resources and their skills: “empowering the local administration [through] the establishment of a non-bureaucratized, professional and transparent public administration ... able to respond to the expectation of the business and the community for public services [and the development of] a special “performance monitoring system” for the LGUs ... to guarantee the accountability of the public administration and ensure efficient delivery of services at the local level”.

The reforming of the public administration and local governance is also a response to the growing demand from citizens not only for better service delivery but also for increased participation in the decision-making processes, where men and women should meaningfully participate in the processes of consultation to represent their needs and perspectives and strengthen accountability. The reforms are and should be conducted in alignment with national commitments to gender sensitiveness and equality and must ensure that men and women will have equal access to all functions in the reformed structures; that resources will be managed to the benefit of men and women, and goods and services delivered are equally accessible to men and women and cater for their diverse interests and needs.

The PFM strategy 2014 – 2020 creates a sound framework for effective PFM reforms. Technical assistance on taxation and revenue management is provided to the central level in cooperation with the IMF. Some other related elements of PFM reform receive international assistance, such as the functioning of the treasury management, strategic budget planning and financial management and control systems across the administration. However, imminent amendments to the law on the management of the budgetary system in Albania (expected in 2016) will establish binding regulation for general government entities (including local government) for the development of medium term budget frameworks. Integration of MTBP practice through management information systems will help instill budgetary discipline at local level as well as enable financial oversight both at the local and the national level.

Public administration reform is also one of the main pillars of the EU enlargement policy. Accordingly, “a well-functioning public administration is a prerequisite for transparent and effective democratic governance. ... it determines a government’s ability to provide public services and foster the country’s competitiveness and growth. It also plays a fundamental role in the European integration process by enabling the implementation of crucial reforms and organizing efficient accession dialogue with the European Union. [It is also] an indication of the capacity of its national public administration to implement effectively the *acquis communautaire*, in accordance with the criteria defined by the European Council in Copenhagen (1993) and Madrid (1995)”.² As part of the requirements for EU accession, a candidate country must also mainstream gender equality in all policies, at all levels and at all stages by the actors involved in policymaking, comply with the EU Gender Aquis and create an institutional framework which has the capacity to monitor gender equality actions and promote the fulfillment of the principle of gender equality.

The latest EU Progress Report (2015) on Albania notes that “substantial efforts are needed to clarify the functions and responsibilities of the newly created local government units ... to increase their financial and administrative capacity ... to achieve the objective of a professional and depoliticized public administration... [and] to ensure effective implementation of the civil service law at local level”. The Report also reiterates that “local government units need substantially greater capacity to deliver services to the public, including one-stop-shops for all public services [and] to develop the capacity to design and implement local development plans”, while “efforts are needed from both central and local government units to develop and implement a comprehensive training plan for the staff of the new local government units”.

The EU ‘Enlargement Strategy and Main Challenges’, 2014-2015, states that a well-functioning public administration is necessary for democratic governance. It also directly impacts governments’ ability to provide public services and to foster competitiveness and growth. Adequate management of human resources, better policy planning, coordination and development, sound administrative procedures and improved public financial management, including revenue administration and collection are of fundamental importance for the functioning of the state and for implementing the reforms needed for EU integration.³

Recognizing that the implementation of the 2030 Global Agenda will greatly depend on local action and leadership, in coordination with all other levels of governance, it is preliminarily assessed that the proposed Project contributes simultaneously, and at different extents, to several global sustainable development goals: poverty (SDG1), good health and wellbeing (SDG3), gender equality (SDG5), clean water and sanitation (SDG6), decent work and economic growth (SDG8), reduced inequalities (SDG 10),

² OECD Principles of Public administration, <http://www.sigmaweb.org/publications/principles-public-administration.htm>

³ http://ec.europa.eu/enlargement/pdf/key_documents/2014/20141008-strategy-paper_en.pdf

sustainable cities and communities (SDG11), climate action (SDG13), etc.

II.3. Project Development Objectives

The overall development objective of STAR2 is

to ensure functionality, recognized by men and women, of the newly established local governments, so that local administrative and service delivery outcomes are effective, qualitative, participatory, and inclusive, and correspond to evolving decentralized competencies and responsibilities.

The contribution towards the fulfillment of the development objective will be achieved through support and technical assistance along the following three main specific objectives/components:

1. Strengthened institutional and administrative capacities of local administrations
2. Increased local service delivery efficiency, quality, coverage, accessibility and inclusiveness for men and women
3. Enhanced local democracy through fostering citizen-oriented governance and participatory decision-making, leveraging the roles of women as actors of change

II.4. Project Strategy and Approach

II.4.1. Project Strategy

STAR2 builds on the national commitment to reform and strengthen local governance and public administration in general, enhance the efficiency and transparency of public institutions for an effective response to public expectations and fight against corruption, make citizens central to service delivery transformation and modernization, and create a climate of trust, cooperation and democratic decision-making for a healthy and sustainable development.

STAR2 proposes to follow the same implementation arrangements as its predecessor, STAR1. Therefore, a pooled fund contributions will be managed in accordance with UNDP's rules and procedures for project management, with UNDP having a fiduciary responsibility for complying with the applicable rules for financial management and reporting. The Government/ Minister of State for Local Issues will retain the responsibility and the leading role in expenditure decisions and coordination of various activities, in consultation with the project Steering Committee. This arrangement would allow for further synergies among donors towards a more harmonized and coherent development approach anchored in national development goals for development effectiveness.

Coordination mechanisms - STAR 2 will attempt to operate in a tighter coordination regime, more so given the complexity and the broadness of the themes it proposes to address. On a strategic level, it will operate under the oversight of a Steering Committee, chaired by the MSLI and composed of international partners contributing to the pooled fund and key relevant national stakeholders. The two Associations of Municipalities and the Agency for the Implementation of the Territorial Reform are part of the Steering Committee, in light of the policy and political developments since STAR1 conception.

The project will need to interact with a number of relevant central level institutions to coordinate its activities on sectors of concern so as to be able to adjust dynamically. Referring to the main project areas of interventions, there is a need to establish a close coordination with the Department of Public

Administration, ASPA and the Ministry of Finance, but also with several other line ministries such as that of Agriculture, Economy, Environment, Urban planning, and central agencies or departments, the Directorate of Civil Emergencies, the National Agency for Information Security, INSTAT, etc. To ensure such coordination, a viable option would be to align with the existing sub-group within the PAR IPMG platform, the institutional framework established under the Government's integrated planning system⁴, or if deemed necessary establish an ad-hoc STAR2 coordination group, which would consist of technical and management level representatives from the institutions relevant to STAR2 areas of assistance.

On an operational level, in addition to project specific field tasks, STAR2 will cooperate and synergize with the AITR in its field work. STAR2 envisages to have a basic physical presence on the ground for establishing and maintaining close relations with the project's local stakeholders, identification and organization of target groups for capacity building, monitoring the implementation of various activities of the project, assisting in solving implementation issues that may arise, collecting project relevant data from the local level, etc. On the other hand, the AITR scope of work includes assessing the local situation with regard to local government consolidation and reorganization and identify issues to address, facilitation of institutional coordination for a full takeover of delegated competencies, helping local governments understand and interpret the legal frameworks, conveying local government concerns to the appropriate central institutions etc. The AITR carries out these functions at its best, employing six field inspectors who cover all the LGUs. The synergy between the two, will benefit both parties, and will be worked out in more detail during the inception.

In follow up to evaluation findings and to ensure better technical coherence, STAR2 introduces regular monthly technical level meetings of all SC member representatives for technical level discussions. The key role of such technical meeting is to follow progress, share information on project operations, discuss and review options and if necessary propose adjustments to the technical approach/content, monitor compliance, handle issues or different views of technical nature and the like. The Project Management Team (PMT, below organigram refers) will be expected to be present at these monthly technical meetings either through the PM or through at least one of the designated team leaders.

Knowledge management and scaling up – STAR2 project will unfold and be implemented in a context of other ongoing and planned assistance. Along the implementation, the project will constantly seek to not only avoid overlaps, but also look for opportunities to scale up best practices and models developed by other partners with the aim of enlarging the geographic scope of benefits and beneficiaries drawn from the developed knowledge.

For instance, assistance in local administration capacity building, which includes support for understanding and implementing legislation relevant to human resources management as well as administrative and financial management, will be provided in conjunction and in complementing the assistance provided by specific programmes of Switzerland/Council of Europe and USAID.

Similarly, support to service delivery will combine consolidation of e-governance service provision tools, taking into consideration alternative and parallel models developed by Swiss dldp and USAID PLGP programmes, with the introduction of elements of service re-engineering and performance based monitoring. The nation-wide application of the one-stop-shop model will be one of the signature outputs of STAR2 project.

The idea of supporting a single, preferred model of one-stop-shop is preferable as it will enhance economies of scale when rolled out, encourage inter-operability between municipalities and with the

⁴ The Good Governance and PAR IPMG has two Thematic Groups that deal with issues relevant to this project: 1. Civil Service (covering also the issues related to capacity building) and 2. Decentralization

central government, and simplify (and render more efficient) the provision of technical assistance and maintenance support.

With regard to good and democratic governance, beyond an increase in rhetoric, vibrant and participatory local democracy has yet to take hold in most of Albania's municipalities. In the recent ad-hoc municipal survey, the importance attached to participatory governance by Mayors was still close to zero. The recently adopted strategic and legislative frameworks, however, provide a renewed opportunity to strengthen accountability and promote transparency and dialogue with the citizens. This is an area that will be much expanded in STAR2, also through learning from and complementing other ongoing initiatives.

STAR2 will also make use or further develop and tailor to the specific context some products developed by its predecessor STAR1, such as the different typologies of municipal organigrams, the municipal Standard Operating Procedures and the Code of Conduct, etc.

Nevertheless, these developments are much dependent on TWO main pre-requisites:

First, detailed information on practices, models, initiatives and findings should be shared timely with the Government, in order to help the latter understand what else needs to be addressed, at which level and extension, and coordinate STAR2 support in for complementing or scaling up assistance as necessary. Such a requirement for timely and substantial information sharing is applicable to assistance provided in almost all areas of support to local governance from the demand or supply sides and should include the scope, coverage, timeline, progress, issues, other complementary areas requiring assistance, etc. This course of action will strengthen synergies among development partners' programmes as well as maximize capitalization of actual achievements.

The support for the establishment of a network of local governments' one-stop-shops is of particular importance as it is directly linked to service delivery. The Government will have to make an informed decision that takes into consideration the selection of an optimal model that is feasible, affordable, sustainable and accepted by the user. The Government should be able to receive timely and in full the necessary information from the relevant models in operation, from the developers as well as the user municipalities, and consult the options prior to select what should be supported by STAR2. This decision should be taken within the inception phase of STAR2.

Second, – respecting the **subsidiary principles and local autonomy** - STAR2 will be undertaken in line with the subsidiarity principle, meaning that decisions about policies and approaches will be left whenever possible and to the extent allowed by the law to municipalities themselves. While the project will offer policy solutions, tools and methods, the participation of any local government in the proposed capacity building schemes or the adoption of any project tool or methodology will rely on the discretion of the local government itself. The project will also avoid the promotion of overlapping practices in cases where similar practices are in place, function well and meet users' satisfaction⁵. Nevertheless, and taking into account relevant national legislation, the project will propose performance standards for administrative and public service delivery which will be similar for all LGUs or along some LGU typologies that all LGUs would have to meet accordingly.

While performance measurement places its emphasis on the outcomes of public policies, actions and services to (i) make the most of limited resources; (ii) improve decision-making processes, and (iii) strengthen participation and transparency, for evaluating the performance there is a need for comparison

⁵ For instance, STAR2 will not aim to introduce another one-stop-shop model in the municipalities of Shkoder, Lezhe and Korce, since some other models are already in operation. Similarly, STAR2 will not attempt to replace the tax management software in operation in some municipalities covered by the USAID PLGP programme

with some standards, which could come from past performance, best achievers, political expectations and stakeholder consultations.

Such systems are not new, but gained prominence in the 1980s and early 1990s as part of “new public management” reforms in many OECD countries. Among the main goals of creating this system, are: 1. Increases level of accountability towards citizens and strengthening of transparency; 2. Facilitates drafting and justification of the municipal budget; 3. Encourages learning in local public administration and promotes continuous improvement of the public services provision; 4. Assists in identifying best practices, in service delivery; 5. Provides data for economic analysis and comprehensive assessments; 6. Creates a basis for incentives and awards or measures to address issue patterns, etc.⁶

Geographic scope - The geographic scope of the project will include all 61 local government units, attempting to provide or ensure all municipalities are in receipt of coherent and adequate assistance with regard to areas relevant to project objectives. As an instrument, enabling coherent Government support to the post reform consolidation, the project makes reference and contributes towards the fulfillment of various government objectives and targets pertaining to local governance and stemming from the recent relevant strategic documents on Decentralization and Public Administration Reform for more efficient and accountable local administrations who provide innovative and citizen-oriented services with accountability and in partnership with the citizens.

Human rights approach - Attention will be devoted to the concerns of vulnerable groups in order to ensure that their voice is heard while shaping and moulding systems of public services or recommending participatory mechanisms. Taking into account that the type of processes determines the final outcome and its sustainability, the project will seek for ways to enlarge the space for inclusive public participation for responsive decision-making processes and their outcomes. In the framework of supporting evidence-based decision-making and inform all project actions, the project envisages to make ample use of data and undertake several assessments to gauge the quality of good governance (see Local Governance mapping below) or assess the level of various services provided. Accordingly, during these assessments and in the gathering of information in the context of service delivery development, the project will seek to involve communities of persons with disabilities, minorities, Roma & Egyptians, rural communities gender equality and other relevant civil society organizations, with the belief the exercise will lead not only to valuable findings but also be able to respond to all citizens’ demands and respect their human rights. Also in terms of accountability, this inclusive approach will look for and lead to recommendations on establishing mechanisms responding to the deprived and vulnerable to fulfil their rights and ways to seek proper redress. This goes along with the project support to strengthen capacities of public and non-public sectors to monitor and evaluate the performance of public institutions, policies and service provision.

Gender – STAR2 will promote gender mainstreaming in all its activities throughout the implementation. The gender perspective will not be limited to gender equality considerations, instead it will be present within the following four streams of project support: policy, institutional, capacity building and operational blocs.

Policy – all project interventions will be firstly assessed and screened from the gender sensitivity and mainstreaming viewpoints so that the project capacity building and other tangible deliverables are responsive to and benefit more appropriately men and women. The project will also advocate for and support the establishment of local consultation mechanisms involving gender perspectives and organizations. Sex-disaggregated data collection and analysis and the definition of service-related

⁶ Mizell, L. (2008), “Promoting Performance – Using Indicators to Enhance the Effectiveness of Sub-Central Spending”, *OECD Working Papers on Fiscal Federalism*, No. 5, OECD Publishing. <http://dx.doi.org/10.1787/5k97b11g190r-en>

outcomes, targets and indicators will be at the possible extent engendered so as to ensure local policy and decision making as well as service performance assessment is evidence-based and gender sensitive.

Institutional – the project will help assess whether local structures and their internal setups are capable and address gender properly within their functionality and recommend measures for compliance with the existing legislation on gender equality to be reflected in their human resources and policy and management arrangement hierarchies.

Capacity building – the project has a strong capacity building component targeting all political, managerial and technical levels of local administration. The project will make sure women at all levels of local government are offered equal opportunities to benefit from the capacity building assistance. The aim will be to ensure 50% of local government employees benefiting from capacity building should be women, including all women mayors and vice mayors as well as all current councilwomen, who constitute 35% of the total number of municipal councilors.

Operational - the project will work with local governments to assess selected local services from the viewpoint of efficiency, effectiveness, quality, and responsiveness with the aim of identifying ways to improve, reorganize and deliver them more adequately in the new local territorial context. As part of the process, the project will advocate for ensuring the participation of men and women in designing services through different consultation forums, group surveys, etc. Women as subjects of rights for whom services may need to be specifically adapted will be the norm approach of the project.

To ensure this aspect is taken care with due quality and professionalism, a Gender Specialist will be engaged and tasked to advise all project teams in developing their interventions and delivering their tasks. The Gender Specialist will be engaged since the outset of project implementation to help develop during the inception period a gender baseline, advise on engendering project interventions and identify more accurate gender-inclusive project indicators.

Environment - Environmental and social concerns will be an integral part of design and implementation of capacity building, system development and scaling up activities, especially when they pertain to environmentally or socially sensitive interventions/recommendations, such as in the case of review of various public utility services, urban and territorial planning, waste management, irrigation and drainage, forest and pasture⁷, and fire protection or the design of their performance indicators. The interventions planned under the project will ensure full compliance with UNDP's social and environmental standards and safeguards.

Similarly, the project will employ the services of an Environmental Specialist, who will be tasked to contribute to the development and implementation of capacity building and knowledge products through overseeing the production of related training products/materials, learning tools and other training documents, provide advice on project activities with environmental impact, identify environmental safeguard compliance risks in the design and implementation of environmentally sensitive interventions, and ensure necessary corrective action is taken.

⁷ It is worth to note here that forests & pastures management plans have been within the scope of a recently completed World Bank programme, Natural Resources Development Project (NRDP), which helped develop communal forest and pasture management plans in 281 former communes. A new World Bank project, Environment Services Project (ESP), builds upon the NRDP results and will, in the new administrative and territorial context, address the issues related to: (i) making use of the developed management plans and extending the process to cover the whole territory and integrate those communal management plans into 61 integrated municipal management plans, (ii) reducing land degradation in the short term, (iii) approaches generating economic benefits from the utilization of communal forests, (iv) improving land conservation practices, (v) addressing LGUs' and user associations' low capacities in understanding and planning for medium term potential revenues from forest utilization, etc.

II.4.2. Project Approach

Final beneficiaries – Different from STAR1, whose focus was on supporting the central government in designing and implementing the territorial reform, STAR2 project’s aim to contribute to improved local good governance for men and women through focus on supporting all local governments, identifying gaps and needs and building capacities in different departments of the local government offices, inclusive of the full chain of decision makers, civil servants and executives, ranging from the mayor to the unit administrators. In considering the local governance as a broader area of play of actors beyond the local authorities, the project, in the framework of its three components, will also seek and promote the role of civil society and the citizens at large in strengthening local democracy and holding local officials accountable.⁸ Support to central government / MSLI will be commensurate with the role of the latter as policy enabler and oversight for such a massive endeavor. STAR2 support will be of a supplementary character, bringing added value in the sense that it enables MSLI and its Agency for the Implementation of the Territorial Reform to do things it would not be able to do with already existing capacities and resources.

Technical assistance - While the use of local expertise will prevail across the project areas, some international expertise is deemed necessary and critical, especially in developing capacity building modules on leadership, local tax and revenue management as well as the development of the content and design of new proposed systems for performance based service delivery monitoring; the developed training modules and systems will be then implemented mostly with local expertise.

Depending on the specifics of the requirements, the envisaged technical assistance could be secured through engaging individual experts or consultancy entities, this latter case would be applied for a few blocks of activities where it is deemed necessary to ensure consistent technical assistance in few interdependent or related areas. A fully detailed implementation plan for each of the objectives and sub-objectives will be elaborated during the inception period, including recommended modalities for procuring the respective services.

Infrastructure/Equipment support- Although there are several project sub-areas that depend on the availability or securing of some basic equipment/premises (for instance, OSSs and archives digitalization), the project will have a very light component on equipment and hardware; the main proposed project input is to secure filing items (boxes and files) for the digitalization of local government archives. One of the assumptions, and pre-conditions, is that the central Government will secure the necessary IT equipment for the digitalization, local governments participating in the OSS and archives digitalization replication will have to co-finance and secure respectively the OSS IT equipment and the premises for the location of both the OSSs and the archives.

Inception – STAR2 is designed as a complex, nationally run project, which seeks to provide multifaceted solutions to several immediate local government priorities at a national scale. The project implementation is challenging, if only counting the high number of envisaged capacity building activities and the ambition to scale up several successful experiences at a national level, let alone other envisaged innovative interventions (like municipal integrity plans, local governance mapping, benchmarking, virtual participation in council meetings, etc.). The journey to embark on includes a number of novelties that relate to mentality and institutional changes besides the infrastructural ones – the most significant being that of inculcating a new administrative culture - and an intensive interaction with a broad number of stakeholders, especially the local ones.

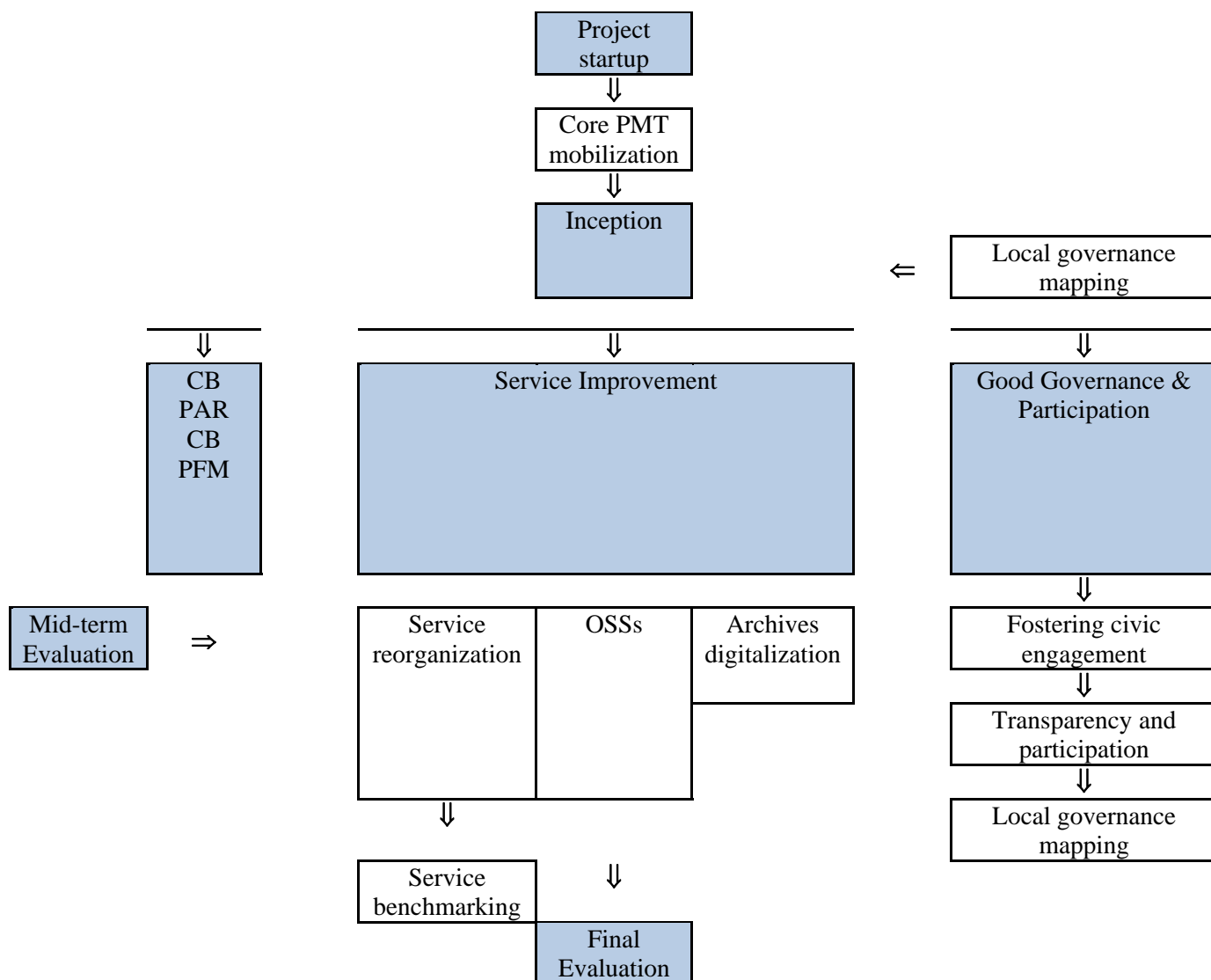
⁸ In this dimension, the project will take into consideration and possibly synergize with the current ongoing initiative supported by Swiss government Leviz Albania

In order to cope with such complexity, an inception period of maximum four months is envisaged at the outset of implementation. The inception period is an intensive period of review, consultation, and finalization of the purpose and activities to be achieved, leading also to an update of the overall activity schedule, the monitoring framework, and the finalization of the risk matrix, taking into account likely developments and additional expert perspectives. The project update during the inception phase will also benefit from a gender and environmental review of the project interventions, the development of a gender baseline, and an update and fine-tuning of relevant progress and quality indicators. The inception period is also important in detailing and establishing critical operational arrangements. This includes a further definition of working with various institutional stakeholders, strengthen synergies and complementarity as well as the articulation of inputs and profiles for the required technical assistance.

Local governance mapping - In addition to the inception, or as part of it but not only, STAR2 proposes to undertake a local governance mapping as a special output of the project, to be conducted at the outset and at the end of project implementation. The first mapping of good governance-related indicators will be carried out with the aim of understanding governance gaps and what exists that can be built on in each municipality. This exercise, which will potentially start during the inception period, is expected to help fine tune subsequent and specific STAR2 interventions. The second assessment, towards the end of the implementation, will feed into the project evaluation and measure the likely local governance changes that have taken place, attempting to also identify those attributable to STAR2. The methodology to be adopted will draw on UNDP's extensive knowledge⁹ on local governance assessment as well as other relevant sources.

The three pronged implementation approach will indicatively unfold as follows:

⁹ UNDP (2009), A Users' Guide to Measuring Local Governance, http://www.undp.org/content/undp/en/home/librarypage/democratic-governance/local_governance/a-users-guide-to-measuring-local-governance-.html,
 OECD (2009) Donor approaches to governance assessments: Guiding principles for enhanced impact, usage and harmonization, <http://capacity4dev.ec.europa.eu/public-pub.sector-reform-decentralisation/document/oecd-2009-donor-approaches-governance-assessments-guiding-principles-enhanced-impact-usage-#sthash.Bbkcxvqy.dpuf>
 UNDP (2013), Local Governance Mapping http://www.mm.undp.org/content/myanmar/en/home/operations/projects/poverty_reduction/LocalGovernancePillar1/local-governance-mapping/, etc.



II.4.3. Project management structure

STAR2 will be implemented under the framework of UNDP Albania Country Program 2012-2016 and the new CPD 2017-2021 from 2017 onwards, applying the National Implementation Modality (NIM) whereby the Minister of State for Local issues is designated as the Implementing Partner. As per UNDP NIM procedures, the MSLI will designate a public official as the National Project Director-NPD¹⁰, being the Minister’s delegate and focal point for taking decision and approving project transactions.

Project Steering Committee

A Project Steering Committee (PSC) will be established to oversee the overall STAR2 implementation. The PSC will be chaired by the Minister of State for Local Issues and composed of representatives of:

¹⁰ A National Project Director (NPD), as per UNDP project terminology, is a government official designated by the implementing partner to have full oversight of the Project, be responsible for the achievement of project objectives, have the authority to request payments, contracts and be the liaison between the government counterpart and UNDP to ensure proper project execution.

- Agency for the Implementation of the Territorial Reform
- Representative from ALA
- Representative from AAM
- Representatives of development partners contributing to the pooled fund
- UNDP Albania

- Representative from the Ministry of Finance (optional/as relevant invited by MSLI)
- Representative from the Ministry of Innovation and Public Administration (optional/as relevant, invited by MSLI)
- Other key stakeholders as deemed necessary and agreed by the PSC

The role of the PSC will be to guide and monitor progress of implementation. The PSC is responsible for making by consensus management decisions for the Project when guidance is required. The PSC will meet minimally quarterly or as often as necessary upon the request of one of its members.

Project Management Team

A Project Management Team (PMT) will be established for the implementation of STAR2, providing also capacity support to the MSLI for various coordination and oversight functions. Under the overall direction of the NPD and guidance of the Project Manager¹¹, the PMT will be responsible for the day to day implementation of project activities. The three project Components will be led by Senior Team Leaders who will directly report to the Project Manager. The PMT will play the secretarial role for the Project Steering Committee. The Project Manager and the PMT are accountable to the NPD and UNDP for a sound management of the project as well as effective delivery of project activities.

The project strength will however rely on the field presence, given that almost all activities relate to capacity building of local administrations and other non-public local stakeholders. An indicative level of effort for the capacity building component alone, calculated based on an average of 25 people per training session, results in a total number of over 300 trainings or about 800 training days, benefitting overall over 7,000 people. Intensive local interaction is also necessary for developing and adopting an e-service delivery network and –re-engineering the public service sector. Hence, a critical key for the project success lays on securing local stakeholders’ support, collaboration and internalization of project aims, which requires communication and closeness, therefore an adequate field presence.

Based on these considerations, STAR2 project proposes to establish a field presence in six locations - Project Field Presence – PFPs, which will allow for more focused support and communication with six clusters of ten municipalities in average. The exact location of the PFPs will be determined during the inception period in consultation with the MSLI and then resourced. In terms of capacity building implementation arrangements, whenever possible capacity building/training events will be organized in clusters of ten municipalities, in accordance with the coverage of each of the PFPs. In doing so, PFPs will be central in both facilitating preparations, organization and then ensuring the necessary follow up and backup support to the target local governments.

UNDP will also ensure a dedicated administrative, logistic and financial management for the implementation, in addition to the provision of common services for human resource mobilization, procurement and logistics. The indicative composition of the PMT is as follows:

¹¹ The Project Manager, is a person hired by the project to ensure day-to-day management and coordination of the project activities and make sure the project progresses in full compliance with set objectives and parameters. The Project Manager reports to the NPD and UNDP

Minister of State for Local Issues			⇐ AITR
National Project Director – NPD			
Project Management Team – PMT			
Project Manager - PM			
Senior Team Leader Capacity Development	Senior Team Leader Public Service Delivery	Senior Team Leader Local Democracy & Good Governance	
<ul style="list-style-type: none"> ▪ Local Government Policy Expert ▪ Knowledge Management and Coordination Specialist ▪ Field Presence Coordinator ▪ Local Government Data Analyst ▪ Gender and Social Inclusion Specialist ▪ Environment Specialist 			
PMT Support			
<ul style="list-style-type: none"> ▪ Public Relations & Communication x 1 ▪ IT Expert x 1 ▪ Project assistants x 2 ▪ Drivers x 2 			
National experts International experts Likely small consultancy contracts	National experts International experts Some contracts on Service reorganization piloting Performance based service management and national benchmarking OSS rollout	National experts International experts	
Project Field Presence 6 offices x 2 people (local government, finance, service expert)			
↑ ↑ Project Coordination Unit Project Coordinator x 1 Monitoring and Reporting Specialist x 1 Senior Finance/Admin Assistant x 1 Finance Clerk x 1 Admin Clerk x 1 UNDP CO Support			
			⇐ AITR

The role of the PMT will be to:

- Coordinate and monitor the implementation of various components of the project and the performance of the various TA contracts
- Coordinate inputs and necessary support of all concerned institutions for the most efficient and prompt results;
- Assess the need for additional expertise required and formulate those needs for their engagement
- Assist in drafting necessary conceptual documents and disseminating them to the institutions concerned;
- Coordinate and guide the work of the PFPs at municipal level
- Coordinate with the AITR and seek support for troubleshooting implementation issues
- Provide organizational and expert support to the MSLI
- Ensure PR and awareness on the activities and their progress reaches the appropriate audiences and builds support and cooperation
- Assume the role of technical secretariat for the PSC

USAID PROGRAM CONTRIBUTION FISCAL DATA

Accounting Template: 168 RFMC BILATERAL PROGRAM168 RFMC BILATERAL PROGRAM

BBFY: 20152015

EBFY: 20162016

Fund: ESES (FundCurrency: 001)

OP: ALBANIA Office of USAID Representative, Albania

Prog Area: A08Good Governance

Dist Code: 182-MAlbania

Prog Elem: A035Public Sector Executive Function

Prog Sub-Elem: (None)

Team/Div: (None)

BGA: 182Albania

OP Def: (None)

SOC: 4100100SOAG

Prog Targ: (None)

1. Amount Obligated for this Action: \$100,000
2. Total Obligated Amount: \$100,000
3. Total Estimated Amount: \$100,000
4. Activity Title: STAR 2 – Consolidation of the Territorial and Administrative Reform
5. Agreement Officer's Representative (AOR):

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Annex 2 – Indicative Budget for the Activity (DRAFT, to be finalized in consultation with local partners)

Program Budget

EXPENDITURE CATEGORIES	UNDP	USAID	SWITZERLAND	SWEDEN	ITALY	EU	GOVT. OF ALBANIA	UNFUNDED	TOTALS
1. Project management, planning and monitoring	100,000		200,000	229,630	215,693		226,852		972,175
2. Institutional and administrative capacity building				400,000	300,000	835,390		64,668	1,600,058
3. Service delivery improving				1,000,000	500,000	2,234,570			3,734,570
4. Good governance promotion and support		92,593	274,537		244,492	445,461		41,505	1,098,588
5. Visibility						200,000			200,000
SUBTOTALS	100,000	92,593	474,537	1,629,630	1,260,185	3,715,421	226,852	106,173	7,605,391
6. UNDP Management Fee (corporate flat rate 8%, except for EU Funds where a 7% rate is applied)		7,407	37,963	130,370	100,815	260,079	18,148	8,494	563,277
TOTALS	100,000	100,000	512,500	1,760,000	1,361,000	3,975,500	245,000	114,667	8,168,668

Note:

All pledged contributions in a currency other than US dollars are converted in US dollars with the current UN exchange rate, the actual figure in US dollars will be available at the time of the contribution receipt.

[END OF ANNEX 2]