



**COVER PAGE**

Country: Bosnia and Herzegovina

UNDAF Outcome(s)/Indicator(s): Strengthened accountability and responsiveness of Government to pro-active citizens

Expected Outcome(s)/Indicator (s): Strengthened capacities of municipalities and CSOs to manage and participate in long-term sustainable socio-economic development within a framework of human rights and the rule of law

Expected Output(s)/Annual Targets:

Implementing agencies: UNDP

Responsible parties: Associations of Cities and Municipalities (RS and the FBiH), FBiH Ministry of Justice, RS Ministry of Governance and Local Self-Governance, partner municipalities

**Integrated Local Development Project (ILDP)**

**Summary narrative:** This project promotes socially integrated and inclusive local development through the building of more accountable and fit-for-purpose municipal government. The planned activities seek to modernize and professionalize local development planning and management in a core group of around 20 municipalities in Bosnia and Herzegovina (BiH). An underlying objective is the achievement of compliance with European standards of public sector service delivery, as well as building of the key capacities associated with the management of pre-accession funds. Activities are designed around three interlocking components:

- Development and rolling-out of best-practice integrated and inclusive development planning;
- Improvement of capacities for programme management and project delivery, including the introduction of innovative service delivery models;
- Strengthening of participatory mechanisms through which citizens and civil society organizations can engage in "external check" of development choices and practices.

The programme will be carried out by United Nations Development Program (UNDP) in partnership with selected BiH municipalities and the Entity Associations of Cities and Municipalities (ACMs), with the financial support of Swiss Development Cooperation (SDC) and UNDP.

Programme Period: Sept 2007 to December 2010  
 Programme Component: \_\_\_\_\_  
 Project Title: ILDP  
 Project ID: XXXXX  
 Project Duration: 39 months  
 Management Arrangement: UNDP Direct  
Execution

|                         |                      |
|-------------------------|----------------------|
| Total Budget            | <u>USD 3,130,000</u> |
| Allocated resources:    | _____                |
| • Government:           | _____                |
| • Other:                | _____                |
| o SDC                   | <u>2,480,000</u>     |
| o UNDP                  | <u>650,000</u>       |
| • In kind contributions | _____                |
| Unfunded budget:        | <u>Nil</u>           |

Agreed by (BiH Ministry of Human Rights and Refugees): S. Marković

Agreed by (UNDP): \_\_\_\_\_

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## List of Abbreviations

|        |  |
|--------|--|
| ACM    | Association of Cities and Municipalities                   |
| AWP    | Activity Work Plan   |
| BiH    | Bosnia and Herzegovina                                     |
| CoE    | Council of Europe  |
| DEX    | UNDP Direct execution modality                             |
| DFID   | UK Department for International Development                |
| EU     | European Union   |
| EUQIF  | EU Quick Impact Facility                                   |
| EURED  | EU Regional Economic Development                           |
| FBIH   | the Federation of Bosnia and Herzegovina                   |
| GAP    | Governance Accountability Project                          |
| GDP    | Gross domestic Product                                     |
| GOWADE | SDC Governance in Water and Environment Project            |
| HQ     | Headquarters   |
| IBHI   | Independent Bureau for Humanitarian Issues                 |
| IPA    | Instrument of Pre-accession Assistance                     |
| IT     | Information technology                                     |
| LED    | Local economic development                                 |
| LSGDS  | Local Self-Governance Development Strategy                 |
| MoU    | Memorandum of Understanding                                |
| MDP    | SDC Municipal Development Program                          |
| MTDS   | Medium Term Development Strategy                           |
| MWG    | Methodology Working Group                                  |
| MDIS   | Municipal Development Information System                   |
| MZs    | Units of community self-governance <i>Mjesne Zajednice</i> |
| NEX    | UNDP national execution modality                           |
| NHDR   | National Human Development Report                          |
| NGO    | Non-governmental organisation                              |
| OSCE   | Organization for Security and Cooperation in Europe        |
| PLOD   | Partnership for Local Development                          |
| PMCT   | Project Manager and Chief Technical Advisor                |
| RDA    | Regional Development Agency                                |
| RMAP   | UNDP rights-based municipal development project            |
| RS     | Republika Srpska   |
| CSO    | Civil society organisation                                 |
| SDC    | Swiss Development Cooperation                              |
| Sida   | Swedish International Development Agency                   |
| SUTRA  | UNDP returnee support and development intervention         |
| TA     | Technical assistance                                       |
| UNDAF  | UN Development Assistance Framework                        |
| USAID  | United States Agency for International Development         |
| VAT    | Value Added Tax  |

### **PART I: SITUATION ANALYSIS**

#### **1.1. The BiH context**

BiH continues to face a difficult development path characterized by a dual transition to a functional market economy alongside a process of peace consolidation and state-building. Over the past ten years the country has progressed from post-war reconstruction to a wider developmental agenda. Accompanying this has been the gradual unwinding of the international supervision arrangements. A central thrust of national policy reforms in recent years has been the modernization and re-engineering of institutions in order to advance the European Union (EU) accession process. Yet reform continues to prove difficult due to both Bosnia's complex constitutional framework and its fractured politics.

Policy outcomes have thus far been mixed. In the political sphere, recent efforts to secure constitutional reform, despite initial promise, have become bogged down, and during the past year some retrenchment of the entity and cantonal structures has taken place. Moreover, day-to-day politics remain demarcated on ethnic lines, both in terms of political organization and the key issues under debate. These fractures are replicated in public policy by significant geographical variations in service provision and by a distinct lack of social solidarity and burden sharing between national groups, and by extension, between regions of the country.

The economy has fared better, with Gross Domestic Product (GDP) growth now averaging approximately 6% annually within an environment of price stability and recent signs of positive progress on the country's large external deficit. However, it is important to remember that BiH has only recently begun approaching pre-war levels of prosperity, and like transitions elsewhere in Europe, this economic revival has not been shared equitably. Income inequality continues to worsen and some 17% of the population still subsists below the official poverty line<sup>1</sup>. The fundamental economic processes which make growth pro-poor – increased levels of employment and an effective supply of credit to enterprises are still, by and large, absent. Economic deprivation and unemployment has a chronic regional character, which mirrors the variations in public service provision noted above. This spatial inequality has given rise to a wider pattern of social exclusion, which is felt beyond the economic and human development outcomes, in social alienation and political disengagement.

A growing body of opinion has come to argue that BiH's democratic deficit and emergent social exclusion<sup>2</sup> can be best addressed through local action. Municipal governments, being closer to inhabitants, are in the best position to resolve local problems and demands, with the limited resources that are available. This is particularly pertinent to addressing the needs of the excluded and vulnerable who often "fall below the radar" of higher levels of government. Moreover, these advantages extend beyond the representational; municipalities are able to act as community leaders mobilizing stakeholders to develop shared goals and to set out strategies to put local development on a positive trajectory. Sadly, the need to develop effective and accountable municipal government in its fullest sense has only very recently registered as a national policy priority. Moreover, international community attention at the local level has thus far focused on the return of refugees and displaced persons, alongside the much narrower agenda of local economic development (LED).

It is also clear that pre-accession assistance provided by the European Commission (EC) has been dominated by capacity building at the state level, with local governments receiving little attention. Yet the advent of EU pre-accession funding regimes under the Instrument for Pre-accession Assistance (IPA)<sup>3</sup> will

<sup>1</sup> Independent Bureau for Humanitarian Issues (IBHI) and UK Department for International Development (DFiD) (2005), *Living in Bosnia Wave 4 Panel Survey*, Sarajevo: IBHI

<sup>2</sup> Social exclusion is a process whereby certain individuals or groups are driven to the edge of society, prevented from living a decent life with full participation in society due to ethnic origin, age or gender differences, disability, financial hardship, lack of formal employment and opportunities, and/or lack of education. This distances them from access to health and social services, as well as social and community networks and activities. They have little or no access to power and decision-making and are thus unable to have any control over decisions that affect their daily lives (UNDP, NHDR 2007).

<sup>3</sup> The IPA is the financial mechanism for EU support. Rolled out in January 2007 funds will be programmed through five components: transition assistance and institution building, cross-border cooperation, regional development, human resource

require the local management and delivery of projects. Successful participation in this funding window will require a step-change in municipal capacity across a variety of planning and management disciplines. Furthermore, there is a fuller European agenda to be addressed. This ranges from what might be characterized as a modernization process associated with attaining a model of municipal government compliant with European practices, to the building of an institutional framework capable of implementing the *Acquis Communautaire* at the local level<sup>4</sup>.

## 1.2. Municipal governance and local development in BiH

Local governments in BiH function within a complex and disarticulated administrative system. The legal framework and fiscal arrangements vary between the Republika Srpska (RS) and the Federation of Bosnia and Herzegovina (FBiH), and in the latter, between the subordinate cantons. BiH's seemingly highly decentralized system might better be characterized in terms of a fragmentation of competencies and accountabilities. It has been argued that these arrangements have serious consequences for public service delivery. Research for the UNDP has shown that per capita municipal budgets can vary by as much as 500% and welfare obligations (notably in health and social care) can go unmet in poorer municipalities<sup>5</sup>. This level of inequity makes clear the limitations of enacting national rights guarantees without enabling municipal governments to meet local claims.

There has however been some progress in recent years. The basis for this is the enactment of new laws on local self-governance in both entities, alongside tentative steps towards fiscal decentralization arising from the introduction of a nationally set Value Added Tax (VAT). Additionally, at the local level there has been some cultural change and a growing awareness of the importance of integrated and strategic thinking on local development. Unfortunately, for the most part this change has been *ad hoc* in character and overwhelmingly driven by external actors.

Local development is still largely construed in terms of a narrow LED agenda. The integration of such efforts with other areas of activity and the drawing of synergies with wider social and community objectives is rare. There is a particular need for sensitization of the planning process with issues of equality and non-discrimination. Additionally, LED measures are often highly constrained by limited resources, driven by weak fiscal equalization and a cap on municipal borrowing. Even within this narrow focus activities are, more often than not, directed externally - chiefly by the regional development agencies (RDAs). Approaches to planning are also highly dependent on donor inputs, which weaken commitment and sustainability. It is telling that although a majority of local governments in BiH have now received assistance in designing and operating such mechanisms, systems are poorly bedded-in and professional capacities remain weak. In addition, these approaches are non-standard and few explicit links have been made with higher-level planning frameworks such as the Medium Term Development Strategy (MTDS)<sup>6</sup> or European integration planning.

Human resource capacities also vary considerably between local governments, with most lacking the skills to lead the local development process. Further to this, there is a general weakness in the ancillary skills to support planning and implementation of development projects - in accountancy, human resource management and legal services. The translation of strategic goals into concrete projects and action plans, and making direct connections with the municipal budget cycle are especially lacking. Due to these skill deficits and managerial weaknesses, municipal capacity to absorb forthcoming EU funding is insufficient.

The quality of local development practice is also compromised by the lack of regard given to data capture and analysis. Local decision makers rarely have access to or take account of the costs of inputs versus the outcomes of policy choices. This inadequacy of local informational resources is in part the product of a wider national deficiency (the absence of a recent population census and an inadequate national statistical system), and local practice that views planning as an incremental and *ad hoc* exercise.

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development, and rural development. The first two components will be accessible to both potential candidate and candidate countries, while the latter three will be accessible exclusively to candidate countries accredited to manage funds in a decentralized manner. BiH is only entitled to the first two components and once it meets the EC criteria for Decentralised Implementation System, it will be enabled to access the others.

<sup>4</sup>Approximately 60% of all mandatory European-law based regulations have to be carried out by local governments. Local Government Network - LOGON final guide, page 41, [www.ceec-logon.net](http://www.ceec-logon.net)

<sup>5</sup> See UNDP NHDR 2006

<sup>6</sup> BiH's PRSP

BiH municipalities also lack a modern understanding of the role and function of local governance. Organizational cultures are provider and delivery focused. Wider perspectives, such as those of: community leadership – whereby local governments act as an adjutant and advocate within their communities; and enabling – the practice of facilitating and commissioning delivery, as opposed to directly providing; are either weak or non-existent<sup>7</sup>. Municipalities lack experience and know-how in the application of alternative delivery approaches, such as inter-municipal cooperation, public-private partnerships, and sub-contracting.

A further weakness of the operating context is the limited amount of external scrutiny of municipal decision making. A number of studies have confirmed that local civil society does not provide any real “check” on decisions or local administration. To discharge these functions effectively, local civil society organizations (CSOs) must enjoy both public legitimacy (ensured through independence and accountability) and the recognition and respect of the official sector (by guaranteeing the right to organize and a duty to consult). Underpinning these attributes is the environment in which CSOs operate, understandings of their role, function, and importance (on both sides), their resource base (in terms of finance and personnel), their representation and governance arrangements (how they are constituted and regulated), and their accountability. Weaknesses in each of these domains have limited the quality of local civil society in BiH. Firstly, many organizations have adopted a business model, delivering services often to the official sector, including municipalities, and thus raising questions about their impartiality. Secondly, political and other sectional interests often dominate local groups, which can serve to undermine their legitimacy and permit official sector agencies to limit the recognition offered to the sector as a whole. Finally, many small CSOs simply face a binding and chronic resource constraint.

Given the constrained nature of representative democracy in BiH, this situation has given rise to something of a public accountability gap at the municipal level. Public engagement is low, decisions rarely reflect real needs, while local government officials and politicians are largely mistrusted. As a result, citizens increasingly feel alienated from the political space<sup>8</sup>.

The overall challenges faced are major ones and range from the organizational, referring to the implementation of local governance to the strategic, meaning the way development is implemented and overseen; and to the operational, covering the implementation of specific projects. The situation calls for a tailored but thoroughgoing program to embed and deepen a series of on-going transformation and reform processes.

### **1.3. Donor activity in the sector**

A number of donors have been active in the local government sector in recent years, and as noted, over half of BiH municipalities have received some form of assistance in elaborating local development plans. The advent of EU accession and the winding down of the post-Dayton supervision arrangements have marked a turning point in these interventions, requiring an overhaul and reorientation of past practice. These project proposals represent the bringing together of UNDP’s rights-based municipal development project (RMAP) and its returnee support and development intervention (SUTRA), and SDC’s Municipal Development Program (MDP) and Governance in Water and Environment Project (GOWADE). UNDP and SDC believe there are strong synergies between each of these interventions, and they provide a sound foundation for the activities outlined in this document.

Other development agencies, notably the Organization for Security and Cooperation in Europe (OSCE), the Council of Europe (CoE), the United States Agency for International Development (USAID), and the Swedish International Development Agency (Sida), have also maintained a substantial presence within local governance and are also going through major re-appraisal exercises. The most substantial and congruent of these is the USAID/Sida-funded Governance Accountability Project (GAP) project. While there are strong complementarities, the proposals here are distinct and innovative – defining development more widely, taking into account developmental and European values, and potentially offering a more sustainable development route for BiH municipalities.

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<sup>7</sup> Conclusions of the Conference on Social Inclusion in BiH organized by the Directorate of Economic Planning, UNDP, DFID, SDC and the EC Delegation to BiH, which took place in Sarajevo on 28-29 November 2006; <http://www.undp.ba>.

<sup>8</sup> UNDP (2006) NHDR 2006: Better Local Governance in BiH, Sarajevo: UNDP

EC in initiatives such as EU Regional Economic Development (EURED), EU Quick Impact Facilities (EUQIF) and the regional development agencies (RDAs) have long been active in the field of local and regional economic development. The EC is also moving to utilize IPA resources for local development projects. Given the project focus on attaining the EU standards it is important to maintain synergies with the EC activities in BiH.

Other actors are also entering the sector, notably within the area of capital project finance. Both the World Bank and the European Bank for Reconstruction and Development (EBRD) have initiated municipal funding mechanisms. Although very welcome, these activities are primarily focused on infrastructure projects and refrain from providing, aside from financial governance technical assistance (TA), direct support to advancing local development planning concerns.

## **PART II: STRATEGY**

### **2.1. Overview**

This project aims to secure the modernization and professionalization of local development planning in BiH, delivering an integrated and inclusive approach in keeping with best-practice elsewhere in Europe. It will develop a standardized planning methodology, which defines the scope of local development widely, specifically citing social inclusion as a primary policy goal, alongside economic objectives and environmental sustainability. The project explicitly recognizes the importance of gender mainstreaming as a means of giving visibility and support to women's contributions and addressing the gender differentiated impact of local strategies and projects. The benchmark for success will be progress towards European standards of service delivery and administration, which will, in turn, advance the EU accession process by equipping municipalities to manage IPA resources.

The project will draw heavily on the experiences of UNDP's RMAP and SUTRA projects and of SDC's funded MDP and GOWADE projects. The strength in the approaches of both organisations is in the thorough participatory assessments on which municipalities rely in elaborating their development plans, improving the skills of municipal employees, internalising new attitudes of "service to people", and opening "spaces and places" for citizen participation in the planning process. Additional value is given through UNDP's interventions in applying an integrated approach to development planning and to mainstreaming the issues of human rights and social inclusion. Although, the SDC's MDP focussed more on economic and revenue development, economy related infrastructure and youth, and among its comparative advantages were the provision assistance to municipalities in shaping visions and systematising plans on internal development of human resources. Both organisations have however concentrated less on 'participation' in the regular governance process (beyond planning and *ad hoc* citizen engagement mechanisms) or on the institutionalization of a participatory "spaces".

The project will work with a group of around 20 geographically diverse municipalities of varying levels of development and local planning capabilities. The planning approach will initially be applied to the development budget (incorporating the existing capital program of the municipality) and be progressively expanded to cover other donor funded development works, and ultimately, the entire local budget. In time therefore the development plan will become the local corporate planning framework covering all areas of municipal activity, driving the annual budgetary cycle and action planning process.

The direct beneficiaries of the activities will be the core group of municipalities, and through them, their local populations. Further beneficiaries will include local civil society organizations (communities, non-governmental organizations - NGOs and the private sector), as well as locally-maintained public institutions (e.g. Centres for Social Welfare and local public utilities).

The longer term objective is to inculcate the planning approach throughout local government in BiH, emphasis will be placed on working in partnership with our key implementation partners - the Associations of Cities and Municipalities (ACMs) and the Ministries responsible for local government affairs in the two entities. It is crucial to ensure engagement of the respective Ministries in both Entities and Cantons in order to facilitate successful implementation of the project. Indeed, the project's exit strategy is premised on the support processes identified below being "nationalized" through development of capacities and responsibilities within the ACMs and other stakeholders. In order to secure coordinated and

seamless implementation of activities, consideration will be given to establishing a single framework agreement with the national partners setting out the various roles and responsibilities.

### **2.1.1. Principal output and objectives**

The principal project output is the strengthening of municipal capacities for integrated and inclusive local development. This, in turn, aims to fulfil a longer term development outcome of promoting local remedies to exclusion, be they defined economically, socially or politically, through the emergence of more cohesive communities and the offering of real opportunities. In line with European policymaking, social inclusion is an organizing principle around which decisions and actions are to be framed.

Furthermore, many of the municipalities still suffer from the effects of the 1992-1995 war, with citizens continuing to be afflicted by poor community relations and in some cases, persistent trauma. In this context, and in a political environment characterized by nationalist rhetoric and polarization, the importance of supporting the development of properly-functioning, efficient and effective municipal governments has grown due to the important contribution it can make. This project will present an opportunity to equip municipalities with the tools required to deal with the negative legacy of the war in a structured and effective manner. Building strong local governance capacities in municipalities therefore means promoting accountability, reducing discrimination and actively integrating minority groups into the mainstream, engaging them in the process of local socio-economic and cultural development.

This is addressed under three objectives:

- Objective 1:            Develop and introduce high quality municipal development planning approaches, enabling the attainment of economic, social and political inclusion.
- Objective 2:            Develop skills for effective programme/ project design and management, compliant with EU standards, and promote the adoption of innovative service delivery mechanisms.
- Objective 3:            Secure participation of local civil societies, to enhance local democracy and provide external scrutiny of development choices and practices.

## **2.2. Project objectives and activities**

### **2.2.1. Objective 1: Develop and introduce high quality municipal development planning approaches, enabling the attainment of economic, social and political inclusion**

#### Development of a methodological framework, training and technical support

The first group of activities will be the working up of a methodological framework for integrated and inclusive local development planning, its ongoing refinement and sophistication, and promotion of its adoption. This framework will draw on experience gained elsewhere in the EU and existing best practices within BiH (given by UNDP's RMAP, SDC's MDP and GOWADE, EUQIF and EURED), and will be developed in partnership with key national actors.

Design objectives include: developing a multi-sectoral approach that brings in social inclusion alongside other progressive goals (such as gender and environmental sustainability) in addition to economic development objectives; enabling full participation, in keeping with the adopted laws on local self governance; and being rigorous but practical in use, permitting easy adoption and tailoring to specific municipal contexts. A Methodology Working Group (MWG) consisting of key stakeholders, specifically officially nominated experts and specialists nominated by respective Ministries, the Regional Development Agencies (RDAs), local government practitioners nominated by entity ACMs, selected local development practitioners, relevant professional associations, academics and senior project staff. The Group will be established to: (a) agree design principles; and (b) oversee the development of the methodology. This group will be chaired by the Project Manager and Chief Technical Advisor (MCTA). Its work will be coordinated by a Core Team (see below) supervised by the MCTA and assisted by retained external national and international consultants.



Initial tasks of the MWG will be the commissioning and oversight of a review of existing planning approaches, using UNDP, SDC and other donor interventions in BiH as the starting platform. This will be carried out by the Core Team with extensive inputs from the relevant predecessor programmes and from briefing and familiarization materials summarizing their experiences. Following this the Core Team will prepare a scoping study identifying additional pieces of research (if needed) which would enable the full elaboration of the planning approach. Key issues are likely to include: any necessary amendments to existing municipal regulations and Statutes; the availability of data sources and needs identification mechanisms within BiH; the application of social inclusion at the local level; relationships between planning, the political process and other forms of participation; the quality of strategic management within local government; administrative competencies; revenue and resources; citizens accountability and transparency; and reporting requirements. It is envisaged that these and other issues will be examined by way of a series of practically-based research works undertaken externally by consultants and leading researchers<sup>9</sup>. All of these will then be synthesized by the Core Team (guided by the MWG) and subsequently compiled into a draft manual on the methodology. This will then be published and consulted on widely (local governments, CSOs, relevant international organizations, academics, RDAs and higher level governments).

Following these consultations and the associated amendments, the final methodology will be approved through a motion put to the general assemblies of the Entity ACMs and officially adopted by them. The outcome of this decision will be reported (for information) to the respective higher level governments (Canton, Entities and State) and launched at a national Policy Roundtable. This will be accompanied by an invitation to pre-selected municipal leaderships to express an interest in participation (this list will be agreed by the Board based on a proposal drawn up by the PM/CTA and Core Team). A training curriculum will also be prepared for an initial Training of Trainers course (see below). This would be re-cast into shorter modules for inclusion within a municipal training package discussed under Objective 2 (see 2.2.2).

As an adjunct to the methodology development process the Core Team will commission three major stand-alone consultancy works:

- Firstly, a capacity appraisal schema designed to enable quick appraisal of the planning and ancillary capacities and local planning systems, and hence the specific training and technical assistance (TA) needs of individual municipalities. This will be deployed to identify the package of training and support to be offered (see Objective 2).
- Second, design of a standard information management system (a database software package) potentially modelled on the United Nations *DevInfo* system<sup>10</sup>. This is intended to allow analysis and retention of data to support local strategy design and updating. The package will ultimately be provided with appropriate computing equipment to participant municipalities (see Objective 2).
- Third, legal counsel's advice to ensure the planning approach and the draft strategic planning methodology does not contravene or contradict existing local self governance laws and/or regulations. Where necessary, this advice will provide draft legislative amendments to remedy any problems that are identified.

Programmed activities will throughout seek to ensure long terms sustainability. On completion of methodology development and following its transfer to a national institution (depending on the final shape of the national municipal training system<sup>11</sup>) a mechanism needs to be created within this institution to ensure feedback from the field and adequate update of the methodology (e.g. through a standing commission in the hosting institution, regular feedback workshops).

### Training of Trainers courses

The next activity within this objective will be the delivery of a series of Training of Trainers courses at the national level on the methodology and its application. The precise curriculum will arise out of the development process, but it is planned that courses will be provided by experts (national and international) in the fields related to development planning and to special project focuses (social inclusion and gender equality). The target audience will be the professional staff of the Project (Core and Field

<sup>9</sup> This may require problem analysis workshops/sessions with the participation of municipal practitioners and local specialists, and the review of various existing assessments.

<sup>10</sup> As developed by Unicef – see [www.unicef.org/devinfo](http://www.unicef.org/devinfo)

<sup>11</sup> This refers to a complementary UNDP project concerned with establishing a training system for municipal governments in BiH (see Annex A).

Teams), municipal training officers or other relevant specialist (at least two places for each participating partner municipality) and national training professionals/ providers (from academic institutions, the proposed national training centre and private sector firms).

The purpose of the sessions is to create a network of national competent trainers (public, private and NGO sectors) able to deliver the modules devoted to the methodology within the municipal training package under Objective 2 (see also Appendix 1).

### Selection of participant municipalities

The final activity will be the selection of participants. This would be the responsibility of the Project Board as advised by the Project staff. It is proposed that the following aspects are taken into consideration:

- Previous active and effective participation in RMAP, SUTRA, MDP and GOWADE projects,
- Municipalities neighbouring with the above (in order to create clusters and facilitate twinning),
- Attainment of a diverse geographical and demographic spread,
- Securing of a mixture of municipalities of different size and type (e.g. rural/ urban),
- Inclusion of participants at different stages of the planning process, and a mix of competencies.

The precise selection criteria will, be decided in a participatory manner with relevant stakeholders. Expressions of interest will be confirmed and around 20 municipalities will be selected to join the Project. Following selection a decision needs to be made by the Project Board on the advice of project management on feasibility of rolling out activities within all municipalities simultaneously.

UNDP will seek to ensure that the selected municipalities would be included into the complimentary EC Local Democracy Project (see Objective 3).

Applicants will also be required to commit to the scheme by publicly signalling, within a letter of intent, their acceptance of certain core operational conditions. These will include:

- A commitment to human rights and gender equality, as articulated in the human rights treaties applicable to BiH, and to the Social Inclusion agenda of the European Union,
- Agreement that the capital programme of the municipality will be subsumed within the development budget, and ultimately the plan will frame municipal budgetary allocations,
- Financial commitment to technical assistance (TA), training and project funding, to be stated in terms of a pre-agreed minimal local funding proportion<sup>12</sup>.
- Ensuring that administrative (financial and audit) arrangements are compliant with UNDP project execution requirements, or if they are not, that a plan is in place to achieve this.

After selection, each participant municipality will be subject to a thoroughgoing assessment of the quality of their planning systems and the capabilities of key personnel within the local development function and within corporate planning and management. This review should also identify any deficiencies in the municipal statutes. The assessment will be commissioned and further developed by the Core Team in parallel with the development of the methodology. This appraisal will form the basis for decision making on tailored package of support to be provided<sup>13</sup>, which will also be spelt out in a Memorandum of Understanding (MoU) to be signed between the Mayor (for the municipal government) of each participating municipality and UNDP, witnessed by the respective ACM. The Letter of Intent from the municipalities indicating acceptance of the key commitments will become an annex to the MoU.

The assessment exercise will physically be undertaken by two Field Teams (see the section on management arrangements). These will be established as municipalities join the project.

### **2.2.2. Objective 2: Develop skills for effective programme/ project design and management, compliant with EU standards, and promote the adoption of innovative service delivery mechanisms**

<sup>12</sup> This will be a minimum of 20% of all costs, but a working average of 50% will be assumed.

<sup>13</sup> This process will have to recognize the inherent tension between fully tailoring support, and the need for a basic standardization of approach. This is to be resolved by the two part (optional and compulsory) training package, and a menu of standard TA interventions.

The Project's second objective refers to the operational sphere and aims to provide direct support in the form of TA, training, and financial resources. It both targets the quality of municipal development management at the strategic and the delivery level, and offers financial support on co-funding basis to local projects. It includes three distinct components:

- Support to municipalities in the full cycle of programme management (design, monitoring, reporting and roll forward of the local development plan);
- Building the capacity of project delivery managers, and the quality of local development projects, including a focus on innovative delivery mechanisms;
- Direct financial support on co-funding basis to specific development projects, which address the core objective of social inclusion and promote the application of innovative mechanisms of service delivery.

#### Appraisal of participating municipalities

On full accession, each participating municipality will be subject to a full appraisal of competencies and systems. This will be conducted by Field Teams assisted by external experts according to the framework defined by the Core Team and will address:

- The quality of existing planning development mechanisms, and the supporting systems;
- Overall capability of municipal staff, both in planning and management capacities;
- The need to consolidate any existing frameworks and/or strategic documents;
- The ability of the municipal administration to meet EU standards of project delivery and management of funds.

Following this, a municipal appraisal report will be prepared, offering detailed advice, identifying any necessary TA to support improvements and setting out the package of training needed. After consultation with the municipality and agreement, these details will be consolidated into a Local Capacity Improvement Plan and included within the final version of the MOU discussed above. With regard to municipalities having already comprehensive quality planning frameworks in place the appraisal will ensure that past planning approaches are not duplicated while assistance will be provided in e.g. harmonization of different sectoral plans or necessary updating of data and annual plans.

#### Delivery of training

The training package is purposefully modular in character to enable local tailoring. The draft curriculum provided in Appendix 1 has a two part structure with both compulsory and optional activities. The courses and final version will be determined by external experts under the supervision of the Core Team, well in advance of the roll out. It is envisaged that training packages will be delivered by the Field Teams, external consultants and local training providers.

Development of the curriculum will be undertaken by expert providers in concert with activities of the complementary UNDP project on establishing a training system for local governments in BiH. The mentioned project is a joint UNDP/ Sida intervention – the Project Document for which is attached as Annex A.

#### *Box 1: Synergies between the project proposals and the UNDP/ Sida project*

In a nutshell, the overall aim of the UNDP/ Sida initiative is to facilitate the development of a competent and professional local administration through the establishment of a sustainable municipal training system, which will help to ensure that training provided by various local and international organizations corresponds to the real needs of municipalities and meets established quality standards that are common to all training programs and providers throughout the country.

Moreover, the training system will ensure that know-how created through different projects remains in the country and contributes to further development of the overall system of local governance. The project aim will be achieved through the implementation of the following objectives: (1) Participatory development of entity training strategies in conjunction with a joint approach at BiH State level; (2) Establishment of an effective training system based on and supportive to the implementation of entity training strategies; (3) Support to the established entity based training facilities in delivering a first cycle of priority training programmes; (4) Strengthening of human resource management and development functions in BiH municipalities, with a focus on strengthening local capacity for training needs assessment and development of training plans; and (5) Strengthening local training providers via established entity training institutions. (For more details, please refer Annex A).

Main lines of synergies between the UNDP/Sida project and the UNDP/SDC integrated local development project are foreseen in particular regarding objective 3 of the UNDP/Sida intervention. In the framework of this objective, the entity training support facilities (training centres) will be supported in delivering the first cycle of three priority training programmes to local public employees envisaged to focus on the areas of strategic planning, project cycle management and human resource management.

The UNDP/Sida project document foresees that the training programmes developed in the framework of the UNDP/SDC project will be transferred to the entity training centres and will be subsequently offered to municipalities not being involved in the UNDP/SDC project. Similar and in regards to training programme preparation, including "training of trainers", the aim is to draw to the maximum on training programmes and approaches prepared under the UNDP/SDC integrated local development project.

On the other side, training programmes on human resource management for local personnel management specialists which will be developed under objective 4 of the UNDP/Sida project and aiming at training of about 300 trainees as part of the first cycle priority training programme will seek the inclusion of participants from the UNDP/SDC municipalities.

With regards to the linkages and envisaged synergies with another UNDP local governance intervention aiming at strengthening local democracy and presently being worked out between the EC and UNDP, please refer to 2.2.3 below and Annex B.

The other major component will be ongoing TA and advice to be provided internally and externally to the Project. Assistance will be affected through the Project Teams. Here again a menu approach will be pursued with a series of standard interventions available (see Appendix 2). Where it is possible, training and TA will be provided on site. It is envisaged that training would be accredited where appropriate by BIH professional associations (specifically the Association of Policy Analysts, and the Association of Accountants).

#### Supporting elaboration and management of municipal development strategies

This group of activities focuses on strategic management and enables the installation of the planning methodology at the local level and ensures its functionality in the context of EU standards of practice.

Here TA (see Appendix 2 for examples of what is envisaged) will focus on ensuring participating local governments have adopted appropriate systems and practices in: data/ information management and analysis; day-to-day management, reporting and the roll forward of plans. A key objective is the consolidation of planning frameworks within a single process and its progressive expansion to cover the entire span of municipal activity. Specific TA will therefore be informed by the initial appraisal with Project Teams agreeing *ad hoc* consultancy to remedy the problems identified.

A deficiency identified by reviews of existing planning approaches is the relatively weak follow-through from plan to implementation and the provision of feedback. This is essentially a call for the linking up of planning and management processes – notably to the budget cycle. Successfully accomplishing this may also necessitate some physical investment in information technology (IT) equipment and software. Moreover, this component will include activities and equipment costs associated with the setting up of the municipal development information management system (MDIS) referred to above, alongside the requisite training. A specific module is included within the modular training program (see Appendix 1).

As noted, the training package will be tailored to the locality, but will address, in addition to planning and policy analysis skills, key competencies in finance (budgeting, monitoring and reporting) and legal skills (tendering, record keeping and contracting). The target group for training support under this component is senior municipal managers and personnel within the development function. The objective here will be to provide grounding in all areas of practice for senior staff, and specialist skills for those actively involved in a particular area – data analysts, finance officers, and so forth. The desired outcome is for all staff to be able to function at a level consistent with best practices within European local government.

#### Support to elaboration of specific municipal projects

This second component focuses directly on project development and management. The purpose is to assist frontline managers in translating strategic plans into concrete projects (devising, setting up and delivering). Additionally, resources will be devoted to enabling others – CSOs and the private sector to participate in the delivery process at arms-length from the municipality.

TA here (again see Appendix 2) would directly address individual projects arising out of the development needs given by the adopted local strategic development plan. Project teams, in consultation with municipal managers and other stakeholders, would identify particular projects where external consultancy was required to work proposals up to the design completion stage. This would be facilitated via direct financial support.

A particular emphasis would be placed on bringing forward innovative delivery models – specifically inter-municipal and inter-governmental cooperation (i.e. joint delivery with cantonal and entity governments) and Public-Private Partnerships. A special training module will be provided to municipalities in order to raise awareness about various innovative models used for more effective and efficient service delivery (module 2.6 in Appendix 1). Additional centrally procured TA will be required on the legal implications and the brokering of agreements between different tiers of government. These issues would be handled separately by the Core Team.

Training would focus on key management capacities but at the project level. The tailored modules of Appendix 1 reflect this – emphasizing project design, finance (costing, monitoring and reporting) and human resources management (recruitment, retention and personal performance management). The target group for training will be operational managers drawn from frontline municipal functions and potential external providers.

#### Seed funding to specific municipal projects

The final component complements (with regard to the seed fund range) the other provisions by seeking to directly support local development with limited amounts of donor contributions. This will be affected via the creation of a central fund of total US\$ 800,000. This represents around 25% of the total project cost, and will provide each municipality a grant ranging between US\$ 30,000 - 50,000 per municipality over the course of the project.

The purpose of establishing the seed fund is twofold. First, it is to provide incentives to local governments to join the project, place emphasis on local development challenges and to specifically address social inclusion and gender equality goals. This will enable certain municipalities to see some of their ambitions come to fruition, especially those that are financially challenged. This underlines the power of an integrated and inclusive planning approach. The second rationale concerns the operational payoffs: by providing minimal seed funds the project directly promotes learning by doing. This refers not only to project cycle management. Funded projects will be subject to rigorous audit and reporting requirements congruent with those applied by EU and the European Court of Auditors. This will equip municipalities with the capacity and the confidence to bid for other funding instruments.

Selection of projects from the adopted strategic plans to receive seed funds will be competitive (within the allocation range) and decided by the Project Board. Selection criteria will be twofold: adherence to the core social inclusion and gender equality objectives, and those schemes that use innovative, partnership models of delivery. The management of funds, once agreed, will be delegated to municipalities under appropriate supervisory arrangements.

#### **2.2.3. Objective 3: Ensure civil society participation in development planning and scrutiny**

Two key roles can be identified for local civil society within municipal development: first, as a partner in framing local development policies, plans and implementing projects on behalf of the local government; and second as an external scrutineer of municipal decision-making and management process. A distinct dimension of BiH's civil society is the role played by community governments or *Mjesne Zajednice* (MZs). These organizations are constituted within locales and provide a forum for community views to be expressed and actions to be undertaken. They are effectively a hybrid between a formal community level of self-governance and a territorial community based organization that need to be given a special role in local governance system.

This component seeks to resolve some of these issues by facilitating the development of a critical and independent, but also responsible, local civil society. Moreover, through this interaction we explicitly recognize the wider participatory and therefore developmental benefits of building a vibrant local civil

society. Attention will also be given to ensuring inclusion of interests of minorities, women and youth through encouraging their direct participation and representation of their interests in existing civil society organizations

Activities envisaged under this component focus on civil society's and MZ's role in supporting and scrutinizing the local planning process, the wider development of local democracy is the subject of a more substantive intervention currently being worked up by the UNDP and the EC. A jointly developed project fiche for this is attached at Annex B. The formulation of the Project Document will take place during September/ October 2007, and depending on IPA processes, the start date of is likely to be spring 2008. The inception period of the current project will take place prior to finalization of the EC funded project and will therefore influence its content.

In order to ensure that the process of strategic planning is inclusive and participatory the methodology developed under the project will suggest to municipalities a set of mechanisms of citizen involvement into planning and oversight of plans implementation (under objective 1), as well training of municipal authorities in practicing them (under objective 2). This objective focuses on building awareness among civil society actors and MZs of participatory mechanisms, on one hand, and on supporting relevant groups in their implementation, on the other.

This is envisaged to be done in two stages: a) familiarization of local actors (both authorities and the civil society) in selected municipalities on the mechanisms and tools which are available drawing on local, regional and international experience, and b) providing selective financial assistance to support their adoption.

#### Familiarization of local actors with mechanisms of citizen participation and oversight

Introductory sessions will be conducted to raise awareness on the variety of mechanisms and tools (such as public hearings, citizens' juries, advisory commissions and volunteer councils, citizens' report cards, and other ad-hoc participatory mechanisms). Since the participatory approach is will be at the core of the introduced development planning methodology, the first introductory session for the municipal authorities is included in the main training package delivered under objective 2 (module 1.9). In addition, introductory sessions on citizen engagement in development planning and oversight, with the participation of local civil society, MZs and interest groups will be conducted in each municipality. Municipalities and civil society actors would then decide, in a consultative manner supported by qualified external assistance, on the precise set of tools to be adopted in each locality.

#### Implementation of participation and oversight mechanisms

Implementation of these mechanisms in the course of developing strategic plans will be supported with appropriate resources. Following analysis of the experiences, support would also be provided to local actors in adjusting their municipal Statutes and by-regulations to accommodate the set of participatory tools and institutionalization.

As a complimentary activity small seed grants will be made available to civil society actors and MZs to carry out scrutiny related projects. Following agreement of municipal actors on the set of mechanisms to be deployed a small fund will be allocated for their implementation.

### **2.3. Compliance with other policy frameworks**

The Project will be fitted to other policy frameworks adopted by the State level Government and the ACMs specifically the MTDS, the forthcoming Social Inclusion Strategy and the Local Self-Governance Development Strategy. Additionally, the Project sits within, and can draw on a history of, UNDP and SDC interventions within the governance and local development sectors. An extensive review of these documents and past interventions has greatly informed the proposals presented here and will continue to inform its evolution. This will be ensured by a regular discussion of external compliance within the Project's supervisory structures (see 3.2 below). A review of the links with specific documents follows.

### 2.3.1. The BiH MTDS and the Social Inclusion Strategy

Socio-economic policymaking in BiH has progressively evolved from one which targets absolute poverty reduction to one which embraces the wider notion of social inclusion; this is signalled by the effective replacement (planned) of the MTDS with a Social Inclusion Strategy. This evolution is in part response to the growing importance of EU policy objectives and in part recognition that exclusion better characterizes the social problems faced in latter day BiH.

Although the final documentation is not yet available, we are confident that the Project would achieve a good fit with the key principles of equality, equity, opportunity and access inherent to the social inclusion agenda. Moreover, by directly incorporating social inclusion as a primary objective and enhancing capacities of local governments to deliver services in equitable manner, the project will have clear implementation commonalities. The emphasis on working in partnership and participation can also indirectly enhance political inclusion and contribute to the building of social capital networks. The experience of existing rights-based and gender mainstreaming approaches developed by RMAP and UNDP more generally will be used as inputs for methodology development as well as at the local level for identifying root causes of exclusion and inequality, thus enhancing the local policy debate.

### 2.3.2. The local self governance development strategy

The Local Self-Governance Development Strategy (LSGDS) developed by national experts on behalf of the ACMs with the support of SDC and the Soros Foundation, maps out an agenda of modernization and reform for BiH local government. It is an important and comprehensive contribution to the development of local governance, which enjoys considerable support from both local and international organizations. It analyses the challenges faced within the sector and sets out seven groups of recommendations. The project is in line with the Strategy (see table below) and specifically contributes to the following areas:

- Ensuring modern leadership and competent staff
- Allowing for the constant improvement of the quality and cost-effectiveness of services
- Attaining high levels of citizen participation
- Ensuring that performance in public affairs is unified at European standards
- Developing cooperation between different levels and units of government

The clearest operational linkage is given by the LSGDS's call for reforms to local governance based on the modern and efficient management of physical and human resources, in order to offer high-quality provision in keeping with European values. Social inclusion, gender equality and accountability figure also strongly as key missions for local governments alongside the adoption of participatory planning mechanisms. The direct synergies are more clearly enumerated in Table 1 below:

*Table 1: Commonalties between the project proposals and LSGDS*

| LSGDS recommendations |  | Level of commonality with the project   |
|-----------------------|--|---|
| Goal 1:               | Accomplish functional decentralization   | Not directly applicable, but implicitly seeks to improve the capacity of municipalities across the board, enabling more effective management and delivery of current – and any newly devolved – local services                      |
| Goal 2:               | Accomplish appropriate fiscal decentralization                                     | Cannot be directly addressed as it outside scope of project but provides competences necessary for effective financial management   |
| Goal 3:               | Ensure modern leadership & professional, competent, well-motivated staff           | Directly linked with capacity building as a cross-cutting theme, and delivery objectives 1 and 2.   |
| Goal 4:               | Ensure constant improvement of quality and cost-effectiveness of service provision | Links with the promotion of public-private partnerships, inter-municipal cooperation, sub-contracting and other innovative municipal management approaches. Support to the advancement of management standards meeting EU criteria. |

|         |   |   |
|---------|---|---|
| Goal 5: | Attain a higher levels of citizen participation in public affairs | Accountability, public participation and inclusion mechanisms (including participation of minority groups and women) recognized as central to governance processes. Direct link with objective 3 (local accountability) |
| Goal 6: | Ensure responsible and unified performance in public affairs      | Direct links to objective 1 on standardization of approach to development planning and project cycle management, to objective 2 on professionalization management and administration.                                   |
| Goal 7: | Develop productive cooperation between units of government        | Direct linkage with objective 2 on partnerships: cooperation, throughout the project, both horizontally and vertically, is strongly promoted.   |

Finally, both the LSGDS and this project recognize the relevance and the crucial role of the ACMs in the field of policy-making and as a vehicle for delivering support. The documents are in agreement that the ACMs should be the driving force in provision of advocacy and lobbying for reforms in legal and regulatory frameworks.

### 2.3.3. UNDP and SDC programs

UNDP has a long tradition of implementing local development and governance initiatives in BiH. This intervention builds on the experiences and insights gained over ten years within the RMAP and SUTRA projects, their latter incarnations such as the Partnership for Local Development (PLOD), and the area-based development projects in Srebrenica and Foca. These field-based interventions have successfully delivered capacity building at the locality and in partnership with local and national actors in the areas of return and recovery, LED and rural development. Additionally, UNDP has invested strongly in supporting the social inclusion agenda in BiH and is enabling its adaptation to the national context. Activities have included hosting two regional conferences and commissioning substantive policy research (notably the 2007 National Human Development Report and the forthcoming study on social protection and pension systems reform). There are also very strong commonalities between the socio-economic components of the rights-based approach inherent to the RMAP project, which provides direct operational experience of tackling social exclusion within local communities.

The project's three core objectives are consistent with the strategic aims of UNDP's Local Governance Portfolio, which are cited in terms of securing participation, accountability and inclusion. Its activities fall directly within the Country Programme outcome "*Strengthened capacities of municipalities and civil society organizations to manage and participate in long term sustainable socio-economic development within a framework of human rights and rule of law*", and the wider UN Development Assistance Framework (UNDAF) governance objective "*Strengthened accountability and responsiveness of government*".

Allied to this, the emphasis on capacity building and training enjoys clear synergies with: the local training system project financed by Sida and the proposed local democracy project being worked up in concert with the EC (see appendices A and B respectively). During implementation linkages will be made by UNDP representatives on Project Board with these stand-alone interventions to provide both commonality of approach and enhanced value for money.

The Project is also in accordance with the SDC's BiH Governance Strategy 2004-2008, and builds on the two ongoing SDC interventions in the sector: MDP and GOWADE. These projects have jointly contributed to the increased effectiveness of municipal government and the stronger engagement of citizens in local development planning and implementation. Furthermore, this Project has the potential to become a pillar of future SDC interventions. There are further opportunities for building synergies between this Project and SDC interventions in the social sector.

Finally, it is also worth recognizing the wider spin-off benefits that can be generated. By providing an opportunity for scaling up positive experiences at the local level, the project offers a means of stimulating demand among municipalities for improved local governance from a variety of sources, and their engagement in a constructive policy dialogue with higher levels of government.



## **2.4. Sustainability**

Central to the sustainability of the project is the need to ensure institutional anchoring, effective capacity building and national responsibility and ownership.

In line with UNDP practice, a local project appraisal committee (LPAC) was organised on 23rd August 2007. The objectives of this workshop event were to solicit inputs and gain support for the new Project. Participants included representatives of BiH Ministry of Human Rights and Refugees, the RS Ministry of Administration and Local Self-Governance, the presidents and executive directors of both entity ACMs, several Mayors and other delegated officials from current UNDP and SDC partner municipalities, representatives of the SDC supported Municipal Development Project, and SDC and UNDP representatives. A full set of minutes and a list of the participants for the LPAC are provided in Annex C.

The Project as given above (its purpose, objectives and proposed organizational structures) received the full support of the participants. Furthermore, agreement was reached on the forthcoming steps: after its final appraisal within UNDP and SDC, the project document will be translated and shared with the participants for further comments and suggestions; Entity Associations of Cities and Municipalities will then present the project document to their Assemblies and to submit their consolidated written inputs to UNDP/SDC.

It was agreed that any substantive changes and amendments resulting from these processes will be reflected in the annual work plan but not in the project document itself.

It should also be noted the project document identifies specific measures to embed the project activities within national structures:

- The progressive transfer of the planning methodology to a local partner
- The provision of planning activities in concert with the proposed national training system
- Delivery of ancillary training with municipal training functions, and the accreditation of modules (where relevant) by national professional organizations
- Partnership working with the Entity ACMs and RDAs, with a view to their taking control of Core Team TA services in the latter stages of the project

Additionally, the project will make a purposeful effort to make forward linkages, via devices such as learning by doing and training of trainers, in order to generate a network of national resource persons. In keeping with the ethos of UNDP and SDC interventions the Project's delivery model is consciously partnership-orientated and requiring only minimal hurdle conditionality. Other stakeholders will also be actively drawn in through the participatory approach and direct provision under Objective 3.

Although the project will formally operate under the UNDP directly executed (DEX) modality, the seed funds for local development projects will be managed locally by municipalities with appropriate supervision.

Moreover, the reliance on EU standards to benchmark training and systems will provide a basis for the management of pre-accession funds, enabling ongoing application of the skill and capacities. Sustainability will be further enhanced by the strategic aim of expanding the planning approach into the capital program, and ultimately, the entire municipal revenue budget.

Responsibility of national actors is a pre-condition for sustainability of project achievements, which will be secured through the supervision and decision-making authority vested in the Project Board, where the main national stakeholders are represented (see below).

In the course of 2009 the implementing agency in consultation with the Project Board and other stakeholders, will elaborate an exit strategy. Based on present assessment a project consolidation phase of 2-3 years is deemed necessary for securing the sustainability of all expected project achievements (e.g. use and update of the methodology) and for enabling local actors to continue with systematic capacity building of their local governance structures in the domains addressed by the project.

The exit strategy will deal with the details of arrangements for consolidating and deepening project results and will be formalized based on decision of the project board no later than by February 2010.

## 2.5. Risk analysis

It is best management practice to identify a hierarchy of risks to the project, provide some valuation of the potential loss faced, and outline key counter-measures. An initial risk evaluation has revealed a number of threats at different stages of the project; a more detailed study will however be required after project approval. Table 4 below provides the risk log-frame for this initial exercise. This draws on a standard approach, which categorized and scored contingent risks according to the threat to project achievement (see Table 2) and likelihood of occurrence (Table 3).

Table 2: Implied risk level

| <b>Severity</b> | <b>Nature of loss</b>  |
|-----------------|--|
| 5               | Critical failure leading to project cancellation   |
| 4               | Serious failure with the potential to prejudice the achievement of more than one objective |
| 3               | Serious Failure with the potential to prejudice the achievement of one objective           |
| 2               | Failure limiting achievement of more than one activity                                     |
| 1               | Failure limiting achievement of one activity   |

Table 3: Probability of occurrence

| <b>Probability Level</b> | <b>Chance of occurrence likelihood</b> |
|--------------------------|--|
| High                     | Greater than 50%                       |
| Medium                   | Between 30 and 50%                     |
| Low                      | Between 5% and 30%                     |
| Minimal                  | Less than 5%                           |

Table 4: Resulting risk log frame

| <b>Risk</b>   | <b>Severity &amp; Probability levels</b> | <b>Counter-measures</b>  |
|---|--|--|
| Lack of support for the adoption of unified and standardized methodology  | Level 3, medium - low probability        | Ongoing consultation processes, partnership building and strengthening and promoting local ownership. Close coordination with the ACMs in each entity.   |
| Complex and dysfunctional administrative system in BiH  | Level 1, high probability                | Clear division of roles and responsibilities among all stakeholders, coordinated actions of local governments towards higher levels through Associations of Cities and Municipalities.                       |
| Lack of political support for the new regulatory frameworks conducive to innovative service delivery models (particularly PPP). | Level 3, medium probability              | Early commissioning of counsel's advice and close coordination of activities and support to the ACMs in advocating and lobbying for legislative changes.   |
| Municipal lack of understanding of the opportunities given by partnership arrangements (with CSOs, private sector).             | Level 1, high probability                | Ongoing consultation processes, partnership building and strengthening and promoting local ownership with ACMs, RDAs, Entity/ cantonal governments and business associations                                 |
| Resistance of public officials and employees toward learning, innovations and creativity.                                       | Level 3-4, low probability               | Creation of positive atmosphere for team work and team building, promoting establishment of a reward system and raising awareness on opportunities. Insistence on participation criteria adhered to, in line |

|   |                                     |  |
|---|-------------------------------------|--|
|   |                                     | with MOUs.   |
| Lack of coordination with other organizations working on local governance issues. | Level 2-3, low - medium probability | Consultation processes before initiating the project, relationship building with other international actors. |

## **PART III: MANAGEMENT ARRANGEMENTS**

### **3.1. Implementing agency**

The implementing agency of the project will be UNDP under the DEX modality. This is premised on capacities within the national agencies (government, ACMs and municipalities) being still not fully sufficient to undertake core functions and activities. However, UNDP will seek, where possible, to draw in national agencies as implementing partners, and as noted above, will devolve development project seed funds (after central approval) and CSO grant allocations affording a part-national form of execution (part-NEX). As a project implementing agency UNDP will assume full responsibility and accountability for overall management, including monitoring and evaluation of project interventions, achieving project outputs, and the efficient and effective use of resources<sup>14</sup>.

The selection of implementing partners and subcontractors will be based on open and transparent selection processes, guided by the need to ensure: (a) a clear link between implementation and policy components, (b) cost-effectiveness, as well as (c) the sustainability of capacity building measures offered by the project.

### **3.2. Project management and reporting**

The Project Manager and Chief Technical Advisor (PM/CTA) will assume overall responsibility for project management on behalf of UNDP. His/her primary responsibility will be to ensure that the project achieves results necessary to deliver the outcomes described in this document. Oversight will be provided by a Project Board consisting of the representatives of UNDP and SDC. Further proposed board members are the BiH Ministry for Human Rights and Refugees, RS Ministry of Administration and Local Self-Governance, both ACMs and two nominated local mayors. Members of the Board nominated by these institutions will be selected by respective Ministers, the respective Presidency of the ACMs and in the case of mayors, as elected by the participant municipalities. The PM/CTA will in agreement with the Board, engage in consultation with other ministries or government bodies as specific needs arise.

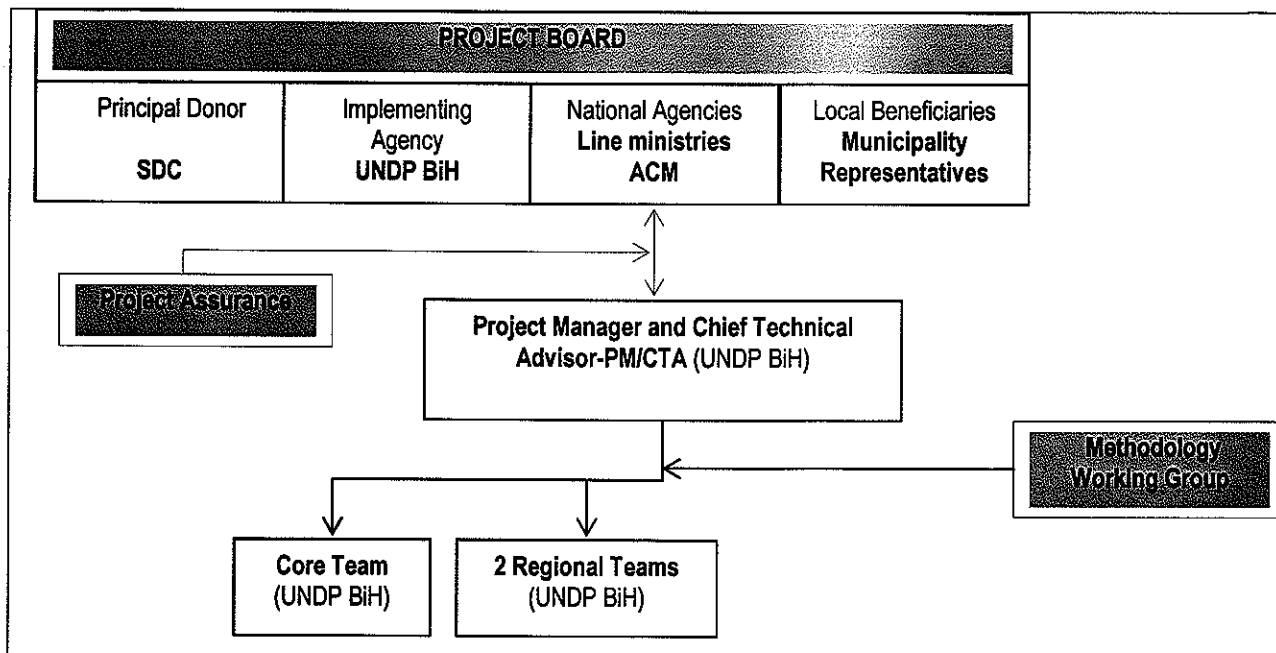
The Project will appoint a "Core Team" of two senior professionals (a Policy Coordinator and a Training Expert) and one Project Assistant. This team will serve as the central source of TA and will be responsible for project co-ordination. The Core Team will report directly to the PM/CTA.

The key actors from the Project's side will be the two regional Field Teams, who will be recruited after municipality selection has taken place. The Terms of Reference, staffing and location for the teams will be finalized following selection of the municipalities and decision on the roll out the municipalities (either simultaneous or in two rounds). For planning purposes (given two rounds) it is assumed each team is made of three professionals and a driver.

As the implementing agency, UNDP is ultimately accountable for the project implementation in accordance with its applicable regulations, rules, policies and procedures. UNDP will represent the project and chair the Board. The oversight and management arrangements are illustrated in the diagram below.

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<sup>14</sup> The roles and responsibilities for the implementation of the project will be in line with the global UNDP User Guide on Program and Project Management for Results which defines minimum requirements for ensuring accountability for programmed activities and use of resources



The Board will be responsible for: overall supervision in accordance with plans, provision of strategic guidance, determining major policy choices (specifically alterations in project design and re-allocation of funds between project components). The Project Board will meet at least quarterly with additional meetings if the need arises. The Board will also make arrangements for adequate Project Assurance (independent oversight and quality control) through periodic reviews (or if required by board members) based on designated project milestones. Project Assurance is the responsibility of each board member, but the role can be delegated, or carried out jointly. The precise arrangements will be considered at the initial meeting of the Board.

In order to maintain synergies with the complimentary Sida (training) and EC (local democracy) financed projects, arrangements will be made to including EC and Sida representatives into the Board.

The Project Board will also be advised by the Methodology Working Group (MWG) set up to lead the development of the planning approaches.

### 3.3. Reporting

UNDP will provide periodical annual project progress reports to the Board and SDC. Annual financial reports will be also forwarded to SDC as the principal donor.

Following the mid-term review and independent external evaluation at the close of the project commissioned by UNDP (explained in the section below) the relevant review and evaluation reports will be also made available to the Board and SDC.

## **PART IV: MONITORING AND EVALUATION (including AWP Monitoring Tool)**

UNDP globally has adopted a results-based approach to project management through which performance is related back to development goals and outcomes, and systematically measured and improved. Monitoring and evaluation therefore plays a key role in helping to improve operational performance and will be performed using quantitative and qualitative indicators as outlined in the project's expected results framework (see attached).

The detailed Activity Work Plan (AWP) will define key indicators for the progress of each activity. On the basis of this, the Project Manager, together with lead managers of project components, will define key milestones and set out a Monitoring Plan. Evaluation will include field visits and periodic reviews by the Project Board, as well as annual project performance reviews. As part of the annual performance review cycle two types of information will be collected: performance data using the indicators which developed

during the planning and design stage (see attached AWP); and risk information. All stakeholders, including the beneficiaries where feasible, will review the project once a year.

A major mid-term review of the project will be undertaken in order to provide feedback from the stakeholders at all levels, and if needed, allow adjustments to the project by the Board.

The Project Board will determine if and how, resources would be reallocated to ensure project sustainability and the achievement of better results. Performance information will also be used to examine strategic trade-offs between resource use, the extent of reach and the achievement of results. As part of its wider evaluation of the project, UNDP will examine the efficiency, effectiveness, sustainability and the relevance of the objectives within an independent final evaluation in December 2010.

## **PART V: LEGAL CONTEXT**

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between BiH authorities and the UNDP, signed by the parties on 07 December 1995.

The following types of revisions may be made to this document with the signature of the UNDP Resident Representative only, provided s/he is assured that the other signatories of the project document have no objections to the proposed changes:

- Revisions in, or addition of, any of the annexes of the project document
- Revisions which do not involve significant changes in the immediate objectives, outputs or activities of a project, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation; and
- Mandatory annual revisions that re-phase the delivery of agreed project inputs or increased expert or other costs due to inflation or take into account agency expenditure flexibility.

## **SECTION II: PROJECT RESULTS AND RESOURCES FRAMEWORK**

See attached

## **SECTION III: ANNUAL WORKPLAN BUDGET SHEET**

See attached

**Appendix 1** - Draft Modular Municipal Training Scheme

**Appendix 2** - Technical Assistance Menu

### **Annexes**

**A** - Sida Project Document for Municipal Training System

**B** - EC Project Fiche Reinforcement of local democracy

**C** - Local Project Appraisal Committee (LPAC) meeting on 23 August 2007 – DRAFT Minutes (Note: Minutes to be circulated to all participants and should changes be requested, a revised version will be approved and signed off)