



**Contracting Authority:
European Commission**

Reinforcement of Local Democracy:

Grant Application Form

Budget line B7-5410-

Name of applicant:	United Nations Development Programme/Bosnia and Herzegovina
Title of the action:	Reinforcement of Local Democracy II (LOD II): Institutionalizing Cooperation between Municipalities and CSOs for Improved Service Delivery
Location(s) of the action:	Bosnia and Herzegovina with a focus on 10-15 Municipalities

Total eligible cost of the action (A)	Amount requested from the Contracting Authority (B)	% of total eligible cost action (B/Ax100)
1,550,000EUR	1,500,000 EUR	96.77%
Total duration of the action:	18 months	

Dossier No	
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ABBREVIATIONS

AMC	Association of Municipalities and Cities
AWP	Annual Work Plan
BiH	Bosnia and Herzegovina
CCI	Centre for Civil Initiatives
CPCS	Centre for Promotion of Civil Society
CSO	Civil Society Organisation
EC	European Commission
FBiH	Federation of Bosnia and Herzegovina
ILD	Integrated Local Development Program
MOJ	Ministry of Justice
MoU	Memorandum of Understanding
MTS	Municipal Training System
NGO	Non Governmental Organisation
PB	Project Board
PAB	Project Advisory Board
RMAP	Rights-based Municipal Development Programme
RS	Republic Srpska
SUTRA	Support to Results-based Approach
TOR	Terms of Reference

I. THE ACTION

1. DESCRIPTION

1.1 Title

Reinforcement of Local Democracy - LOD II

Forthwith, the title of the Action will be referred to as LOD II or LOD II.

1.2 Location(s)

Bosnia and Herzegovina with a focus on approximately 10 Municipalities (contingent on size of CSO contract ceiling and quality of municipal response to the Public Call).

1.3 Cost of the action and amount requested from the Contracting Authority

Total eligible cost of the action (A)	Amount requested from the Contracting Authority (B)	% of total eligible cost of action (B/Ax100)
1,550,000 EUR	1,500,000 EUR	96.77%

1.4 Summary

Total duration of the action	The LOD II project will operate for 18 months, commencing in September 2010.
Objectives of the action	<p>The overall objective of LOD:</p> <p><i>To contribute to democratic stabilization, conciliation and further development of Bosnia and Herzegovina through support to select municipalities in establishing improved local authority/civil society relations and facilitating financing mechanisms for improved service delivery.</i></p> <p>The three specific objectives of LOD are:</p> <ol style="list-style-type: none"><i>To facilitate permanent partnerships between CSOs and local authorities by building awareness on a mutual beneficial cooperation and encouraging sustainable dialogue.</i><i>To generate unified and transparent mechanisms for disbursing municipal funds foreseen for CSO project-based activities in accordance with local service needs, and identified priorities; and to ensure a sustainable source of funding through a municipal budget line for financing CSO projects;</i><i>To encourage NGOs/CSOs to specialize/professionalise their activities – to adopt a longer-term planning perspective, to become</i>

	<i>more responsive to local needs and less dependent on current donor priorities.</i>
Partner(s)	The main partners envisaged in this endeavour are the United Nation Development Programme, European Commission Delegation, the BiH Ministry of Justice, the FBiH and RS Associations of towns and municipalities, Municipal Authorities, Municipal Councils and Civil Society Organizations (CSOs).
Target group(s)	The main target groups envisaged in this endeavour are Municipal authorities and Civil Society Organizations.
Final beneficiaries	The final beneficiaries of main activities are Civil Society Organizations and local community citizens in selected municipalities that will derive benefit from improved service delivery at local levels.
Estimated results	<p>Inception phase results:¹</p> <ul style="list-style-type: none"> • Awareness of local authorities raised on how to benefit from the partnership with CSOs and vice versa, with emphasis on presentation of best practices and policy recommendations of LOD I and wide promotion of LOD II; • Local governments have transparent mechanisms for the disbursement of local funds foreseen for CSOs projects in 2011 including signing agreements/protocols on cooperation with CSOs; • Responsibilities defined for all stakeholders affected by municipal disbursement of funds to CSOs, with details varying to some degree across municipalities, reflecting the diversity of actors. • Communication and partnership among CSOs, and among CSOs and local governments improved; • Increased mobilization of local funds from the municipal budgets for strengthening local grass roots organisation and further development of services provided by CSOs; • Municipalities committed to contributing funds in the range of 10%-50% of the project budget for municipal / CSO projects. <p>Results:</p> <ol style="list-style-type: none"> 1. Minimum of 10 local governments have transparent mechanisms for the disbursement of funds foreseen for CSO projects; 2. Minimum of one CSO project per municipality is funded; 3. Over all, participating municipalities allocate to resources that amount to at least 10% of the total available budget for the public call; using transparent criteria and the project

¹ 'Inception phase results' refers to activities that precede the actual Public Call for municipalities. The 'guidelines to municipalities for answering to public call will be prepared during this preparatory phase and will contain the full set of criteria for selection of municipalities. The guidelines will be subject to approval of the Project Board.

	<p>approach for the disbursement of funds;</p> <ol style="list-style-type: none"> 4. Creation and adoption of mechanism for monitoring/evaluation of projects activities and results implemented by CSOs; 5. Increased capacity of municipalities on topical themes such as EU regulations, improved service delivery, etc. 6. Baseline for monitoring of municipality/CSO relations established and appropriate monitoring tools introduced.
Main activities	<p>Conduct strong campaign and promote project initiative and results from LOD I to all municipalities and CSOs;</p> <p>Raise awareness of local authorities how to benefit from the partnership with CSOs and vice versa;</p> <p>Mobilize local funds from municipal budgets to strengthen and further develop services provided by CSOs;</p> <p>Prepare Public Call for proposals and Guidelines that will contain detailed selection criteria for Grant Applicants (partnering municipalities).</p> <p>Assist municipalities in preparing Public Call for CSOs that will contain detailed selection criteria for Grant Applicants (CSOs).</p> <p>Facilitate establishment of local monitoring teams which report to UNDP and the Project Board on local sub-project implementation, and monitor the partnership between the selected municipalities and CSOs;</p>

The main sector of intervention is strengthening civil society (15150). This form of intervention will be supported through improved interaction between municipalities and local CSOs in regard to service delivery.

To increase the impact of the LOD II intervention, besides positive experiences from the LOD I, project activities will be implemented ensuring synergies with other UNDP projects in the field of local governance, namely the Municipal Training System (MTS) and the Integrated Local Development Program (ILDP). Experiences from previous projects such as SUTRA-PLOD (Support to Results-based Approach: Partnership for Local Development) and RMAP (Rights-based Municipal Development Programme) will be used to advance the LOD II.

1.5 Objectives

The overall objective of LOD is *to contribute to the democratic stabilization, conciliation, and further development of Bosnia and Herzegovina through support to selected municipalities in establishing improved local authority/civil society relations and facilitating financing mechanisms for improved service delivery.* This larger objective will be addressed through three specific objectives. It is envisaged that these objectives, the project's results and their respective activity sets, will engage approximately ten (10) municipalities in Bosnia and Herzegovina. Gender sensitivity

and promoting multi-ethnic interventions will be given special consideration in each objective and all activities.

The first objective is to *facilitate permanent partnerships between CSOs and local authorities by building awareness on a mutual beneficial cooperation and encouraging sustainable dialogue*. This will be pursued through encouraging of the competitive process between municipalities to demonstrate their commitment towards CSOs and encouragement of signed agreements / protocols establishing relations between Municipal Councils, Municipality Mayors, and CSOs; introduction of innovative appraisal and monitoring systems and other sensitization activities such as promotion and documentation of good practices and networking opportunities. The results will contribute to institutionalizing mechanisms for CSOs/Municipality interaction as well as demonstrate benefits of these strengthened relations for improved actions towards meeting the needs of local communities.

The second objective is to *generate unified and transparent mechanisms for disbursing municipal funds foreseen for CSO project-based activities in accordance with local service needs, and identified priorities; and to ensure a sustainable source of funding through a municipal budget line for financing CSO projects;*

The majority of the LOD II resources will be deployed to ensure the municipal budget allocations for CSOs are managed, disbursed, and implemented transparently and consistently. Activities found within this objective include: drafting, introduction, and adoption of consistent guidelines for resource disbursements to CSOs in the provision of local services; the introduction of mechanisms for monitoring project activities and results; and mobilizing local funds from the municipal budget to strengthen and further development of services provided by CSOs. To meet this objective, topical trainings and technical assistance will be provided to local authorities in order to ensure that a systematic approach to transparent mechanisms of funding CSOs is supported by specific budget allocations and budget line. Also this financial mechanism and the responsibility stemming from the financing principles will further strengthen the needs for local authorities to start adhering to EU regulations. These trainings will also ensure that local municipal entities (authorities, CSOs, citizens, etc.) are equipped with appropriate skill-sets to facilitate both, LOD implementation and future requirements for European integration.

The third objective is to *encourage CSOs/NGO/ to specialize/professionalise their activities – to adopt a longer-term planning perspective, to become more responsive to local needs and less dependent on current donor priorities*. Public Call for proposals, to be carried out by the municipal authorities, will encourage municipalities to sign agreements / protocols establishing relations with the civil society sector, which in turn will persuade CSOs to better respond to the demand in local communities and sharpen their competitiveness.

1.6 Relevance of the action

The European Union membership and integration remains a critical socio-economic and political objective of Bosnia and Herzegovina. The European Union integration strategy of Bosnia and Herzegovina contains the following reference for further development of civil society: "*BiH will confirm this determination through further democratisation and development of its institutions, the rule of law, free and democratic elections, development of civil society by providing conditions for greater*

political and economic freedoms, and the respect for human and minority rights".² Under the necessary measures, the Strategy notes that it will be necessary to: *"Improve functions and stability of institutions guaranteeing further democratisation of society"*.³ Moreover, the Multi-Indicative Programme Document (MIDP)⁴ states that *"assistance to both, the civil society and the administration, to create and maintain a civil society dialogue which will contribute to democratic stabilisation, to conciliation and further development of the country"* is imperative. Lastly, the forthcoming Instrument for Pre-Accession (IPA) – as the successor to CARDS – will focus on institution building and socio-economic development. The above reflects EU standards and norms as related to promoting participation and partnership.⁵

More importantly, however, the government of Bosnia and Herzegovina, as articulated in their national strategy, the Medium Term Development Strategy (MTDS), strongly acknowledges the role of civil society in contributing to the progress of the country. Although references are made throughout the document, two of interactions are given particular emphasis, those of oversight function in public administration reform and NGO contributions to service-delivery and social protection. For example, the strategy notes that *"a greater transparency [sic] in the work of governments and public institutions is needed, both in publishing action plans and in consulting with preparation of strategic documents. It is particularly important to ensure transparency in planning and implementation of budgets at all levels. It is also necessary to establish mechanisms and bodies to allow citizens to point to cases or instances of corruption, as well as mechanisms for processing requests or complaints (p.147)"*. Priority areas in social protection include: *"provide adequate support to centres for social work; increase investment in development of local services; training of personnel, adoption of norms and standards in labour; conduct permanent revision of beneficiaries in cooperation with the local community, NGOs, etc."* (p. 168) and *"develop the nongovernmental (NGO) sector in the social protection system, as an equal partner for the governmental sector"* (p. 169).⁶

Due to the structure of the country, there are four applicable laws in BiH that regulate registration of CSOs (associations and foundations). Although the laws are harmonised, different ministries are in charge of the implementation of these laws creating their own registries without existence of a centralized registry that should encompass all of this data. Thus, a concern about a double registration is present (p.73).⁷ In addition, it is almost impossible to determine the exact number of active CSOs. Estimation is that approximately 50 % of all registered CSOs (app. 12.000.) in the entire BiH are active ones (p. 80).⁸ It shows how the existing legal framework is

² EU Integration strategy for Bosnia and Herzegovina; Political criteria for integration – section 2.1.1, page 26. Available at: <http://www.dei.gov.ba/en/>

³ Ibid

⁴ The Multi-annual Indicative Planning Document (MIPD) 2007 – 2009 for Bosnia and Herzegovina provides for an overall financial envelope of € 226 million. The MIPD takes account of the country's Mid-Term Development Strategy and the EU Integration Strategy, as well as the priorities identified by the BiH annual progress report and the European Partnership.

⁵ For example, DG Development of the European Commission has produced "Guidelines on Principles and Good Practices for the Participation of Non-State Actors in the Development Dialogues and Consultations" (November, 2004).

⁶ The Bosnia and Herzegovina Mid-Term Development Strategy – Poverty Reduction Strategy Paper can be found at: <http://www.secrecon.org/bosnia/documents/prsp/index.html>

⁷ There are approximately 12.000 registered associations in BiH without a single Registry for entire BiH. Civil Society: Contributions to the development of the Strategy on establishment of an enabling environment for civil society development in Bosnia and Herzegovina. (2009). HTSPE Ltd, UK & Kronauer Consulting, Sarajevo.

⁸ Ibid.

not fully applicable resulting in a lack of official definition of civil society organizations (CSO) often causing different interpretations.

Although political intention and commitment exist, as well as support from the international community, civil society engagement with local authorities at the municipal level remains limited and fragmented in Bosnia and Herzegovina.

Despite current situation, experiences from the LOD I show significant interest of local authorities (municipalities) for enhancement of their relations with civil society. This argument is supported by the fact that the Public Call for Municipalities in the LOD I had turnover more than 60 %. Expressed in numbers, 55 municipalities in BiH were eligible to compete considering given criteria (37 officially applied).⁹

This considerable interest of the eligible municipalities for participation in the LOD I resulted in adjustments of the project resources. The initial number of partnering municipalities was increased from 10 to 14 introducing another category of *associate municipalities* as an additional component to the Project. Additional six (associate municipalities), being involved in the capacity building component only, added up in quantitative terms the total number of LOD municipalities to 20. Twice as large quantity when compared from the initially proposed one proves great interest and positive signals of the local governments for improvement of their relationship with CSOs.

Furthermore, the number of municipalities eligible to apply for the project Phase II has been influenced by activities of the LOD team working on the promotion of the Agreement on cooperation between municipalities and CSO. Improvements of the LOD I based on experiences, lessons learned, and a professional team, will be significant resources for the LOD II Project.

We should emphasize that the number of 14 partnering municipalities in LOD I, when compared to the total number of 144 local governance units, ought to be expanded in the LOD II in order to continue with good practices and experience sharing in the wider BiH context. Initial strength and good project results of the LOD I must remain visible and keep providing good example and serve as role modelling for less developed local governments.

In that regard, continuation of the LOD concept would be the continuation of the efforts to work on the enhancement of relations between local governments and civil society, and an answer to some of the challenges in building those relations.

There are a number of studies¹⁰ on the civic landscape that enumerate the numerous challenges to both the development of the sector and strengthened relations between citizens and the State. Several impediments are worth highlighting:

- Less than 50% of NGOs surveyed in the Federation of BiH rated the quality of their relationship with municipal government as either "good" or "very good" (USAID, 2004).
- NGOs often initiate and implement projects in the community without any coordination with local authorities (RMAP, UNDP, 2004)

⁹ Please see page 18 for criteria.

¹⁰ To name a few: "Mapping Study of Non-state Actors in Bosnia and Herzegovina" (EC Delegation, May 2005), "Civil Society Assessment in Bosnia and Herzegovina" (USAID, June 2004), "Country Study of USAID NGO Sustainability Index (USAID, 2007)", and "Employment, Social Service Provision, and the Non-Governmental Organisation Sector (prepared by the Independent Bureau for Humanitarian Issues, funded by Department for International Development of the UK, May 2005), and Consolidated Report of the Municipality Assessments in Bosnia and Herzegovina" (RMAP, UNDP, April 2004).

- According to preliminary research conducted by the Civil Society Promotion Centre, domestic NGOs receive nearly (if not more, according to USAID) 77% of their funding from foreign sources.
- 61.19 % of BiH CSOs do not have a single employee with two-year or university education. (HTSPE Ltd. UK & Kronauer Consulting, 2009)
- Only 10% of organizations rated the NGO sector – in entirety – as being “very effective” in supplying services. (IBHI and DfID, 2005)

As for opportunities, there exist a number of telling indicators and trends in the area of public administration reform and service delivery. For example:

- Approx. 60 municipalities have signed – in cooperation with local NGOs – agreements / protocols to “establish clear, efficient, and transparent procedures of mutual cooperation and partnership, on the basis of mutual values materialized by non-governmental as well as the public sector”.
- According to a telephone survey of 1,430 NGOs and an in-depth structured interview with a sample of 318 NGOs, these organizations provide services to some 29% of the total population in BiH, albeit this includes some overlap with people receiving services from multiple organizations. (IBHI and DfID, 2005).
- According to the same study, most NGOs seem to be filling a gap in existing service provision as over 40% of the respondents stated that they had no competition from either public or NGO sector. (IBHI and DfID, 2005)
- 71.8 % CSOs work exclusively in the interest of their members, while participation of associations working in the general public interest is merely 28.20 %. (HTSPE Ltd. UK & Kronauer Consulting, 2009)

Therefore, the Reinforcement of Local Democracy or LOD II, proposes to address, in cooperation with CSOs and local municipalities, both challenges and opportunities in-line with EU standards and commitments of the Government of BiH. As noted, the agenda of many CSOs is subject to frequent changes, and thus appear to be ‘donor-driven.’ Some other CSOs represent an extension of political agendas. Although ~~CSOs receive funds mostly from the municipal budgets, there is merely a minimum,~~ or no transparency of disbursement criteria for these resources. Furthermore, in few cases do interim or final reports exist, nor are audits conducted. Additionally, it is atypical that contracting authorities (municipalities, cantons, entities, state) advertise, “Public Call for proposals” and deploy consistent evaluation criteria. Otherwise stated, institutionalized mechanisms for disbursement of funds foreseen for CSOs and their activities are wholly deficient.

Consequently, LOD II follows methodology from the LOD I and it will effectively focus in three general areas: i) building awareness in order to contribute to better understanding of the role of civil society by municipal authorities and vice versa as well as institutionalizing the standards of their mutual relations ii) strengthen capacities of local authorities and civil society organizations and iii) provide conducive environment for establishing of a transparent funding mechanism for implementation of projects. As stipulated, the primary target groups of this project are local authorities represented by municipal bodies such as municipal councils and administrators of decentralized funds as well as recipient organizations within civil society. Through this project, it is realistic to expect that municipalities will learn how to involve civil society in policy and decision making process and implementation of priority projects and possibly also how to cooperate with CSOs in areas where

municipality fails to provide services. This will contribute to improvement of the social aspects of quality of life of citizens since their influence (through CSOs) can influence municipal decisions and plans for short, mid and long term development.

Particularly important in the context of Bosnia and Herzegovina, the Project will contribute to building public trust and raise the overall quality of democracy and a pluralistic society. CSOs/NGOs can operate in a more transparent setting and obtain a more stable source of funding, while on the other hand municipal authorities (and ultimately citizens) benefit from more targeted use of their resources. In turn, citizens gain a sense of improved confidence in their elected officials and assist in the identification of local priorities.

1.7 Description of the action and its effectiveness

Overall Objective and Purpose of Action:

The overall objective of LOD is *to contribute to the democratic stabilization, conciliation, and further development of Bosnia and Herzegovina through support to select municipalities in establishing improved local authority/civil society relations and facilitating financing mechanisms for improved service delivery.* Premised on the larger objective, the purpose of the project will focus on institutionalizing the principles of relationship between local authorities and civil society organizations and raising awareness on the significance of such principles, strengthening the capacity of different stakeholders to better engage in this relationship and, establishing a transparent and consistent municipal funding mechanism to support implementation of priority projects and ensure service delivery activities by civil society organizations. Gender sensitivity and promoting multi-ethnic interventions will be given special consideration in each objective and all activities.

Specific Objectives, Results, and Activity Sets

This larger objective will be addressed through three specific objectives. It is envisaged that these objectives, and their respective activity sets, will engage approximately ten (10) municipalities in Bosnia and Herzegovina. Prior to embarking upon achievement of the objectives and results and implementing related activity sets, a number of inception phase activities are required. These are described in greater detail within the section on methodology. However, in brief, they include: establishing a Project Board (PB), determining criteria for municipal selection, preparing a Public call for municipalities or and the alignment of LOD II activities with other development interventions. Other modalities for inter-municipal cooperation embedded in the form of Local Action Groups, and/or a cluster of municipalities (formed through an inter-municipal agreement) consisting of two or more municipalities, with the objective of acting in mutual interest of the area covered by the founder-municipalities if appropriate will be taken into consideration.

Specific Objective One – *to facilitate permanent partnerships between CSOs and local authorities by building awareness on mutual beneficial cooperation and encouraging sustainable dialog*

Mainstreaming civil society in BiH municipal development efforts assumes that CSOs exist and are recognised as legitimate stakeholders. Whether or not this is the case depends on the quality of the civic environment which can be understood as the complex

mix of formal regulations, informal rules, cultural norms and policy and economic incentives that condition the degree to which civil society can form, operate autonomously with accountability and co-determine how the mandates of development policies and processes are achieved. Low quality environments constrain civic growth and autonomy of action while high quality environments tend to positively nurture and encourage them. This objective will address the challenge of facilitating municipal governments to open up civic space and to, in a targeted way, join forces with CSOs to increase the quality of the environment they occupy. Aside from the larger environment, civil society as well as government must be in a position to behave in a transparent and conducive manner to partnership. This objective will also pursue the institutionalization of different procedures (including monitoring tools), awareness on cooperation mechanism and building understanding, knowledge and skills through "highlighting" the positive results of improved relations.

Central/local authorities and the non-governmental sector/civil society should operate as partners and, in order to facilitate this, a transparent contractual arrangement should be stipulated. This type of agreement / protocol between local authorities and CSOs will enable the latter sector to strengthen their position with regards to claiming and asserting their roles within local services delivery as well as bring in certain quality criteria to measure performance. Likewise it will contribute, on the long run, to performance of certain tasks and services by CSOs, which so far have been taken over by government counterparts only.

This would bring about benefits to Bosnia and Herzegovina in at least three regards i) would strengthen the competence of the non-state sector; ii) will lead to more efficient and better targeted services and iii) will contribute to social inclusion at the local level.

Within this objective a Public call for municipalities will enable municipalities to 'test' their readiness to engage CSOs according to the transparent standards as in order to be selected municipalities will have to demonstrate that agreements/protocols with CSOs have been mutually signed.

Specific Objective Two – *to generate unified and transparent mechanisms for disbursing municipal funds foreseen for CSO project-based activities in accordance with local service needs, and identified priorities, and to ensure a sustainable source of funding through a municipal budget line for financing CSO projects;*

Considerable changes in the responsibilities of municipal authorities and CSOs in Bosnia and Herzegovina have been required over the course of the last decade as they move from humanitarian aid to service delivery in local communities. There is a considerable imbalance in power and resources amongst local municipalities and their CSO counterparts and approaches and capacities differ greatly.

Regarding the establishment of a single financing mechanism (i.e. specific municipal budget line) to fund CSO activities, very specific rules must be established to reduce abuse and/or improper distribution of assets. These regulations must include information pertaining to competition and selection procedures, implementation, and reporting as well as sanctions for the breach of agreements.

In order to decrease elite capture and arbitrariness within project selection and response to local needs, selection of priority areas of cooperation with and implementation by CSOs should be furthermore based on the criterion of transparent, and participatory local assessment and planning processes to obtain unbiased knowledge of local needs and give proper attention to social inclusiveness.

and norms. This project will introduce and foster standard operating procedures or a "code of conduct" for signed agreements/ protocols, and other practices that contribute to improved working and standardised relations between municipal authorities and civil society actors.

Under this result guidelines will be prepared that reflect the content of the agreements/ protocols establishing relations between municipalities and CSOs, including commitments regarding public tendering for financing projects from Municipal Budget funds. Whereas existing agreement/ protocol contain information on publishing public tenders, selection of applications submitted, notifying applicants etc., such responsibilities are loosely worded and not prepared specifically for municipalities. Guidelines prepared and adopted under the project will ensure that resources are allocated and expended in a transparent manner.

7. At least one project per municipality is funded;

The underlying purpose of this result is to ensure transparent calls for proposals for CSOs interested in project implementation and providing services at the local level. The Call for Proposals will follow EC and UNDP rules and regulations. This result will trigger submission of 20 to 100 proposals and the selection of a minimum of 10 proposals for funding and implementation. This is to ensure that agreements/ protocols establishing relations between municipalities and CSOs extend to deliverable commitments.

8. Creation and adoption of mechanism for monitoring/evaluation of CSO projects' activities;

Monitoring of the concrete CSO/NGO projects will be carried out by the municipal authorities and other local community members; with support and general oversight provided by UNDP. On detailed guidelines the Project Board will decide. Under this result monitoring mechanism will be introduced to ensure that funds are used for the purposes for which they were provided and in compliance with the financial and non-financial terms within the contracts and proposals. This should further introduce principles of sound financial management and provide feedback to municipalities and donors. This will also result in monitoring guidelines for projects implemented by CSOs.

In preparation of appraisal system and tool that determines adherence to the obligations found within the approved projects but also wider monitoring of the clauses stipulated in the agreements / protocols between municipalities and CSOs.

9. Increased awareness of municipalities of the necessity to strengthen capacities with regards to EU regulations, preparation of project proposal in line with adequate project cycle management methodology etc.

The result will ensure that local municipal entities (authorities, CSOs, citizens, etc.) are equipped with appropriate skill-sets and exposed to innovative practices in order to better facilitate the LOD II implementation. In addition, further skills and knowledge in regards to the future requirements for European integration will be built up, with a focus on promoting the partnership principle.

10. Increased capacities of local stakeholders in relevant areas for specific municipality such as: grant management, budget planning, information sharing, inter-municipal coordination preparing project proposals and identifying resources, and accessing IPA and meeting EU regulations and promotion of partnerships.

Trainings for local stakeholders on topical themes and based on specific needs of each municipality will be delivered. Minimum of 2 trainings per municipality will be held on topical themes such as EU regulations, Grant management, participatory budgeting exercises, improved service delivery, etc.

Activities:

Inception phase

1.1. Conduct strong campaign and promote practices and policy recommendations of LOD I as well as wide promotion of LOD II to all municipalities and CSOs;

1.2. Establish Project Board (PB) with members including BiH Ministry of Justice (MoJ), European Commission and UNDP. The PB shall be established by adopting its rulebook. The PB will lean on experiences gathered throughout LOD I, SUTRA project and other UNDP/EC projects;

1.3 Establish Project Advisory Board (PAB) with members of ACM of both RS and Federation BiH and elected representative(s) of CSOs in BiH. The PAB will lean on experiences gathered throughout LOD I.

2.1. Review and adjust of the LOD I selection procedures for partnering municipalities; criteria for Call for Proposals, objectives and priorities including adjustments, if necessary;

2.2. Review and adjust LOD I Public Call for CSO project proposals and guidelines that will contain detailed selection criteria;

3.1. PB and PAB sessions for approvals and revisions based on the project management recommendations.

4.1 Launch the Call for proposals and select the municipality to be included in LOD II;

4.2. Review established protocols and agreements of cooperation between CSOs and applicant municipalities, and identify recommendations for improvement of these relations.

Project Phase

5.1. Draft step-by-step guidelines on co-financing (resource allocation) from Municipal Budget funds to CSO projects. It includes a set of responsibilities from both stakeholders.

6.1. Mobilize local funds from the municipal budget to strengthen and further development of services provided by CSOs. Work on generating transparent mechanisms for CSO funds disbursement.

7.1. Assist municipalities to issue Call for proposals open to all CSOs from BiH: Each participating municipality should list priority areas. The modalities of this call for proposals will be defined based on previous experiences of UNDP, as described in the LOD methodology;

8.1. Sign MoUs between UNDP and selected municipalities

9.1. Adjust LOD I methodology to collect concise base-line information in each selected municipality, relevant for the purpose of project monitoring and evaluation. (e.g. LOD I survey tool or questionnaire);

9.2. Conduct research to collect base-line information in the selected municipalities, and determine additional baseline/research content to be collected. Possible information may include quality of services in select sectors, number of public hearings, etc. Emphasis will be given to collecting information relevant to LOD's logical framework, particularly matters pertaining to "objectively verifiable indicators of achievement".

9.3. Facilitate establishment of local monitoring teams that will include UNDP staff members in order to monitor CSO project implementation;

9.4. Introduce mechanisms for monitoring project activities and results. LOD I project monitoring mechanisms will be revised and introduced in partner municipalities.

9.5. Align additional development programmes (i.e. ILDP and MTS) with LOD for greater impact;

9.6. Revision of LOD I appraisal tools (report cards) based on measurable and objective questions that assess the content of the Agreement establishing relations between municipalities and CSOs. One report card will be deployed for the use of municipal authorities (council and mayor) to review the progress of the non-governmental/non-profit sector whereas the other report card will be prepared for the use of civil society actors to measure the progress of the municipal authorities.

9.7. Print and disseminate the report cards on an annual basis with clear guidelines and procedures on validating results. Scoring should be conducted on a numerical basis (i.e. - 1 through 5) or "yes/no" response.

9.8. Aggregate results for all target municipalities; and present a unified report that compares success and deficiencies of the different municipalities based on their adherence to the principles found within the protocol establishing relations between municipalities and CSOs.

9.9. Codify and disseminate good practices and other demonstration efforts to encourage replication throughout country.

10.1. Information-sharing (between municipalities) activities such as documentation of good practices and networking opportunities;

10.2. Disseminate findings widely in order to encourage scaling-up and/or replication of LOD-related activities.

10.3. Convene a final lessons learnt workshop with participating municipal representatives and share results in order to facilitate networking between project beneficiaries.

10.4. Identify training needs within some pre-existing topical areas. grant management, budget planning, information sharing, inter-municipal coordination preparing project proposals and identifying resources, and accessing IPA and meeting EU regulations and promotion of partnerships.

10.5. Prepare training modules in selected areas and deliver trainings;

10.6. Arrange study trips between participating municipalities, in order to foster exchange of ideas and good practices.

10.7. Continue promoting LOD II and CSOs through www.ngo.ba web portal, www.undp.ba and other media; Promotion/visibility strategy will be developed in line with EC visibility guidelines in order to achieve systematic and far reaching promotion of the Project.

1.8 Methodology

Public Call for municipalities:

The UNDP shall be leading the process of Public Call for Municipalities.

Criteria for the selection of municipalities

An important part of the project is preparation of a Public Call for Municipalities in Bosnia and Herzegovina. This call includes main principles of the LOD project and predetermined criteria. Methodology used in the LOD II will be adjusted and enhanced methodology from the LOD I. Experience gained throughout the whole process of the previous phase, taking into account inputs given by stakeholders, synergetic projects, and other constituencies, will be taken into consideration to determine and approve methodology.

The final form of this call, as well as the criteria set out within, will be approved by the Project Board. Suggested criteria are divided into two: obligatory and additional criteria.

Criteria for municipal selection¹²:

Obligatory criteria

- Municipality has a valid formal partnership agreement with CSOs.
- Municipality is willing to co-finance CSOs projects with a minimum of 10% of the total funding it receives through the LOD Project framework.
- Municipality has jointly defined priority areas of cooperation with CSOs, which are aligned with its overall local development directions. Municipality overall development directions were determined in a participatory way and broadly reflect on the following thematic areas: poverty reduction, social inclusion, gender, human rights, environment, as well as the empowerment of vulnerable groups.

Additional criteria

- Municipalities allocate funding for CSOs within a separate budget line.
- Municipality has a clearly defined methodology for CSOs financing, including projects based on the project approach, local social service needs and identified priorities.
- Municipality has a functional body for evaluation and approval of CSO project proposals.

¹² Final criteria for the selection of municipalities will be approved by the Project Board. Criteria will be a part of the Guidelines for applicants. The Guidelines will be included as a part of the technical documentation of the Public Call for Municipalities.

- Municipality has established mechanisms for monitoring/evaluation of projects and initiatives implemented by CSOs.
- Municipality has an adopted community development plan where local socio-economic development priorities are identified in a participatory manner
- Municipality has a solid record of inter-action, cooperation and partnership with CSOs.

The Call for Proposal will avoid municipal 'elites capturing' by including the set of criteria that will be adopted by the Project Board. These can vary from requirements on co-financing (i.e. linking the co-financing rate to the size of the municipal budget) to increased number of geographical lots (and avoiding centres of economic regions to be the only eligible ones in their respective lots).

Priority areas for CSO projects:

Priority areas for CSO projects will be defined through a participatory process in each project municipality. In this process, areas of particular concern to the EC Delegation as the main donor will naturally be given special consideration. They include social issues, gender issues, environment issues, human rights issues, etc. The need to properly address gender issues and to take account of rights of minority groups, in particular Roma, will be an integral part of the selection and evaluation process.

Public call for CSOs/NGOs

The selected municipalities shall be leading the process of Public Call for CSOs.

Criteria for the selection of projects

After the selection of municipalities / consortia is completed, and these municipalities have defined the areas of priority, as described above, the municipalities / consortia will open a public call open to all CSOs in the area of BiH. As with the call for municipalities, the selection criteria will be decided by the Project Board. However, past experience suggests a combination of criteria, and scoring the performance of applicants on each of these criteria. Applicants reaching a score beyond a certain threshold will be considered for funding.

It is suggested to adopt a multi-tier approach regarding the level of this threshold. Thus, projects with a budget up to 100,000 USD need to reach a higher score than projects with budgets up to 50,000 USD and 20,000 USD respectively. Also, CSOs submitting pure capacity building projects could be required to reach lower scores than CSOs submitting complex projects, e.g. in the area of economic development.

The suggested criteria fall into the following categories:

1. **Financial and operational capacity:** (Do applicants and partners have sufficient experience in project management, do applicants and partners have sufficient expert capacity, do applicants and partners have sufficient management capacity, etc.)
2. **Relevance** (How relevant is the project to the goal, are the needs of target groups and end users clearly defined, does the project approach them correctly, does the project have additional qualities, such as innovative approach and good practice models, does the proposal advocate the rights based policy model and does it have influence on subgroups, does it promote gender equity and equal possibilities, protection of environment, inter-entity cooperation, youth problems, etc)
3. **Methodology** (Are the planned and proposed activities appropriate, practical,

and in line with goals and expected results, how consistent is the overall project design, is the level of inclusiveness and involvement of partners in project implementation satisfactory, does the project include objectively measurable indicators of activity results, etc.)

4. **Sustainability** (Will the proposed project activities have a concrete influence on target groups, are the results expected from proposed activities institutionally sustainable, will the structures that enable the continuation of activities exist at the end of the project, will local "ownership" over project results exist, etc.)
5. **Budget and cost rationality** (Is the relationship between estimated costs and expected results satisfactory, are the proposed costs necessary for project implementation, is the budget clear and does it also include a narrative part, does it provide justification for technical equipment, is the principal met that limits administrative and staff costs under 20% of total costs, are CVs and vacancy descriptions submitted where applicable, etc.)

Calls for proposals are published, the previously established evaluation committee comprising of municipal staff and representatives of civil society organisations convenes (conflict of interest must be avoided), projects are evaluated and sent to the UNDP and Project Board re-evaluates the proposals and announces the final awards.

Applicants are scored on each of these criteria and thus obtain an overall score for their application. The suggested criteria are herewith proposed for the clarity of the project document and will not be taken as final criteria for assessment of municipal project proposals. Final criteria will be mutually agreed at the Project Board session during the Inception phase of the LOD implementation (see more about PB in section on Steering Arrangements).

Related activities:

For increase of impact of the interventions LOD II activities will be implemented ensuring synergies with other UNDP project activities in the field of local governance, the Integrated Local Development Program (ILDP) and the Municipal Training System (MTS).

Baseline Research:

By collecting preliminary baseline information on the current status of municipal relations with civil society, the project can objectively measure changes over time and the influence of specific activities on strengthening partnerships. Secondly, this research can contribute to identifying possible bottlenecks, opportunities, and/or gaps that may require a modification of project interventions. This result will consist of a modest, not in-depth, analytical (quantitative and qualitative) study of municipal/civil society interaction in target municipalities.

Steering Arrangements

The project steering structure will be consisted of two bodies Project Board and Project Advisory Board (PAB). Project Board (PB) will be composed with representatives from BiH Ministry of Justice (MoJ), European Commission Delegation to BiH (EC) and UNDP. A Project Board will be formed immediately after the start of the project. The PB will meet at least quarterly. Should difficulties or delays occur at the PB level, the EC and UNDP representatives would reach final and binding decisions.

The PB will provide overall guidance to the project, approve guidelines for Public Call for municipalities, approve selection of municipalities, approve for evaluation of CSO project proposals etc.

Project Advisory Board will provide recommendations to the Project Board on all activities relevant for the project implementation and improvement. Recommendations and suggestions will be presented to the Project Board by project management. Project Advisory Board will be composed out of representatives from RS and Federation Associations of Municipalities and Cities (AMC) and elected representative of CSOs in BiH. The PAB shall be established by adopting its rulebook. The PAB will meet at least prior each session of the PB but preferably once a month.

Management

The project will be lead by the full-time Project Manager. The LOD team will consist of 7 staff, as follows:

- Project Manager
- Grants/Operations Coordinator
- Capacity Development Analyst
- Project Associate
- Monitoring Coordinator (2 placements)
- Driver

Organizational chart (organigramme) is attached in Annex E.

ToRs of the above staff are attached in Annex F.

Visibility

The project will ensure visibility according to the EC guidelines. Visibility strategy will be developed in close cooperation between press and public units of the UNDP and the EC. Strategy will include strong visibility of the European Union as a donor of the Project, promoting vision and values of democracy and multicultural society, as well as the continuation of the process of branding the LOD project.

1.9 Duration and indicative action plan for implementing the action

The duration of the action will be 18 months.

It is expected the project will start on September 1, 2010 however due to adaptability of the project to possible timeframe - changes induced by the external factors, the reference is not made to specific dates or months but rather to "Month 1", "Month 2", etc.

Please refer to **Annex D** for the detailed plan of activities.

1.10 Sustainability

The greatest risk for implementation of the set objectives relates to the possibility that there are an insufficient number of municipalities to meet the administrative criteria and eligible to apply for grant in accordance to the Call for proposal requirements. Also there is a risk that there will be rather low number of received project proposals whose quality will meet minimum technical standards for financing. There is an assumption that currently there are some 10 municipalities that meet the proposed administrative /eligibility criteria. In a great number of municipalities in BiH there is a resistance of municipal counsellors to the adoption of unified and transparent mechanism for disbursement of funds foreseen for CSOs and their activities. The reason behind lies in the fact that, so far, these funds were used by the political parties for financing of the so-called CSOs of 'special importance'. These are CSOs which are rather an extension of the same political parties.

However, in the preparation of the project, the EC Delegation to BiH has undertaken a series of activities in promotion of the project among the municipalities and has sent a clear message to all municipalities that without engaging in partnerships and establishment of a permanent cooperation with CSOs and adoption of unified and transparent mechanism for disbursement of funds foreseen for CSOs, they will not be eligible for accessing any EC funds.

It is not realistic to expect that all municipalities in BiH will fulfil the eligibility criteria in the first project year. However considering that the municipalities and CSOs will have time to meet all administrative criteria, it can be assumed that a greater and relevant number (estimated up to 20) will create pre-conditions for applying for grant funds within this Call for Proposal.

There is also a certain risk that municipalities will be in shortage of expertise and skills necessary for development of project proposals in accordance with the EC standards within local governments, in this regard tailored auxiliary measures and technical assistance is a key mitigation measure. Part of preventative measures in order to ensure expertise and skills necessary for development of project proposals in accordance with the EC standards within local governments, will be the offering of technical assistance in development and writing the project proposal in accordance to the EC standards. In order to further mitigate the above mentioned risks, the presentation of the initiative, including the detailed administrative criteria, programme priorities, eligible and type of the action and the grant award selection process will be organized in several towns in BiH where all details will be presented.

The main precondition for fulfilment of the expected results is certainly the readiness

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of the municipalities to understand the development perspective that opens up ahead of the municipalities with establishment of the permanent cooperation with CSOs and introduction of the unified and transparent mechanism for disbursement of funds foreseen for CSOs and their activities. The moment the key political factors realise the perspective that opens up towards the pre-accession funds, it is for certain that a great number of municipalities will decide to establish this permanent cooperation with CSOs.

The media will have one of the key roles in this process. How fast the municipalities will understand the message that is being sent to them and get interested in this project will also be dependent upon the level of interest the media will have for the initiative and the media coverage of the issue in the printed and electronic media.

The project approach will ensure high level of achievements of all three elements of sustainability.

Financial sustainability: According to the IBHI analysis, currently over 40 mil € is disbursed to CSOs from the municipal budgets. Unfortunately over 80% of these funds are disbursed directly from the budget in a non-transparent budget and without any financial control, monitoring and evaluation of results, while only 20% of these funds are disbursed through financing of specific CSOs projects. Currently it is unknown how much of these funds are spent on administration of such non-transparent ways of disbursement of funds. One of primary objectives of this project is to introduce multi-constituency planning bodies, joint-planning mechanism and unified and transparent mechanism for disbursement of funds foreseen for CSOs and their activities in order to mobilize as much of these funds. With adequate monitoring and evaluation mechanisms the impact will be maximised and full financial sustainability of the idea will be sustained. The costs for continuation and sustainability of the project activities will be ensured from the municipal budget. The financial sustainability will be provided from the same budget lines that are currently used for coverage of administrative costs of non-transparent disbursement of funds with possible increase of grant funds through access to pre-accession EU funds. There will thus not necessarily be any additional costs except for those that already exist within the municipal administration for the work with CSO.

Institutional level: Basing the agreement on priority areas for CSO project implementation on available municipal development strategies/ plans which show a thorough, transparent and non-arbitrary participatory process for identification of municipal priorities will contribute to anchor the project activities within the development institutions (bodies) at the local level and will ensure that real needs are address. Furthermore, the promotion of the partnership principle involving Civil Society, Business and public sector, will ensure institutional sustainability and local ownership of the project and its results. The establishment of multi-constituency bodies and the reference to participatory, strategic planning mechanisms is not only supportive to the project activities but likewise an EC strategy which is possibly to become a pre-condition for all future EC Call for Proposals in the region. This will ensure respecting and implementation of existing local modalities of policy design and cooperation at the municipal level as well as functioning mechanisms even after the end of the project period. Besides, during the project implementation a full cooperation will be established with the respective CSO/NGO associations (e.g. BiH Board for civil society and Centre for Promotion of Civil Society) who will perform regular follow up on implementation of the local protocols and inform the public through its annual reports thus aiming to create additional pressure upon

municipalities to continue with implementation of the protocol and joint-planning mechanisms with CSO even after the end of the EC financing of the activities.

Policy level: And the final element of the project sustainability which will manifest the full political support of the local administration to the project objectives is the policy sustainability. The policy sustainability will be fully ensured through several elements that will be adopted by the municipal councils, municipal mayors and representatives of CSOs:

- Protocol on cooperation with CSOs at the local level;
- Municipal council decision on establishment of multi-constituency planning bodies and participation of the municipal representatives in its functioning;
- Municipal council decision (Mayor) on establishment of unified and transparent mechanism for disbursement of funds foreseen for CSOs and their activities based on the project approach;
- Adoption of rules and regulations for project assessment and selection of the projects that will be award with grant;
- Adoption of appraisal and monitoring methodologies;

The adoption of these decisions by the municipal councils which will be binding upon Mayors and municipal administration will ensure full policy sustainability of the project even after the end of the EC financial support.

In addition, with regards to all three elements, the choice of UNDP as implementing agency will further ensure high levels of sustainability.

First, and based on UNDP's proven record in local project implementation, which combines hands on TA, with concrete project development and introduction of co-financing modalities. While political resistance to innovation is indeed sometimes a problem, UNDP delivery results with regards to the SUTRA as well as RMAP and Area Based Development projects in the Srebrenica and Foca area, working in total directly with more than 40 municipalities, show that long term commitment to partnership, practical on the job training and tailored capacity building can be key motivating factor for progressive municipalities to adjust their business processes.

Second, UNDP in parallel implements the Integrated Local Development Project (ILDP) which offers synergies and positive reinforcement regarding i) raising municipal interests in participating in the program, ii) cross-fertilization of various training programs; iii) embedding of the LOD activities in the framework of participatory identified municipal priorities in the form of broad, integrated plans that hinder arbitrariness in selection and counterbalance elite capture; iv) setting the CSO projects finally selected and funded by LOD in a broader set of targeted municipal training and development interventions financed by ILDP contribution jointly to social inclusion and strengthening of participation and democracy.

1.11 Logical framework

Please refer to the **Annex C** for the detailed Logical framework.

2. **BUDGET FOR THE ACTION**

Please refer to **Annex B** (worksheet 1) for detailed Budget and Indicative Forecast of Expenditures.

3. **EXPECTED SOURCES OF FUNDING**

Please refer to **Annex B** (worksheet 2) for the Expected sources of funding.

