



Government of Albania Approves First Five GLTPs

USAID PARTNER MUNICIPALITIES ACHIEVE PLANNING MILESTONE

What is a General Local Territorial Plan (GLTP)? A GLTP is a comprehensive, strategic instrument that articulates both a municipality’s vision for its future development and a set of strategies, projects and regulations for achieving that vision. Each GLTP, integrating many different interests and competing demands for resources, addresses a wide range of matters, such as environmental protections, land use, infrastructure investment, local economic development and more.

In late December, Albania’s National Territory Council achieved an important milestone when it gave its stamp of approval to the country’s first five GLTPs, all of which belong to model municipalities partnered with USAID’s Planning and Local Governance Project: Berat, Kuçova, Fier, Lushnje, and Elbasan. This achievement was the culmination of more than 18 months of collaboration between each of five municipalities and USAID, work that began shortly after the June 2015 local elections in response to the Territorial Administrative Reform (TAR),

which resulted in larger and more complex local territories consisting of urban, rural, agricultural and natural lands. The GLTPs represent the specific implementation of post-TAR planning and development legislation and USAID was the first to provide support to any of Albania’s local governments in creating plans to enable sustainable development of the newly redrawn territories – an important and urgent need.

The GLTP implementation process fused the technical expertise of USAID’s planning experts with the local know-how of municipal officials and multiple waves of citizen participation and stakeholder consultations to fully address territorial concerns: protecting environmental resources, sustaining places of cultural heritage, regulating land use, guiding investments in public infrastructure within the context of local strategic and budgetary processes, building programs that capture the increased value of land as a means by which to finance capital in-

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Photos from left: Group photo including from left to right USAID DG Officer Suzana Cullufi, USAID Country Representative Cate Johnson, Minister of Urban Development Eglantina Gjermeni, PLGP Urban Planner Rudina Toto, PLGP Chief of Party Kevin McLaughlin, Mayor of Fier Armando Subashi, PLGP Subcontractor/Co-PLAN Executive Director Dritan Shutina, and Mayor of Kuçova Selfo Kapllani in the celebration event organized by MUD and USAID; Minister of Urban Development Eglantina Gjermeni; USAID Country Representative Cate Johnson

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USAID PARTNER MUNICIPALITIES ACHIEVE PLANNING MILESTONE

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vestments in infrastructure and monitoring performance as the plan itself is implemented – a powerful tool for guaranteeing transparent decision-making and governance.

Months of effort went into the preparation of each GLTP; the goal was to produce locally owned documents that truthfully represent local territorial features, affected communities and the challenges and opportunities the municipality will face over the next five years. Once completed, each plan was submitted for local approval by the Municipal Council, followed by submission to the National Territory Planning Agency and the Ministry of Environment for compliance declarations. Now, following approval by the National Territorial Council, the plans only await endorsement by the Prime Minister.

Throughout the collaborative GLTP-development process, USAID worked in close cooperation with the Ministry of Urban Development and the National Territory Planning Agency to share its experiences, materials and key learnings. As a result, USAID's efforts with its five model municipalities served as a learning laboratory for both the local and national institutions involved in the planning process. It is now considered a model for successful implementation of comprehensive spatial planning – so much so that the Government of Albania has adopted USAID's methodology for use with the 26 additional municipalities it is currently supporting with preparation of their GLTPs. Similarly, the Swiss Decentralization and Local Development Project (dldp) has also adopted the USAID approach for the five municipalities for which it is providing GLTP support. With their GLTPs approved, the municipalities of Berat, Kuçova, Fier, Lushnje and Elbasan have a solid basis from which to take on the challenges of territorial, economic, social and environmental development. For each municipality, implementation will require dedication and profession-



Official announcement on adoption of GLTPs on the Ministry of Urban Development website



View of the National Territory Council's meeting in which Albania's first five general local territorial plans were adopted.

alism, technical knowledge, transparency and informed decision-making. Also key to the process: ongoing, intensive engagement of local officials with their constituents – community members and interest groups – to safeguard public interests within the territory and guarantee citizens' rights.

USAID, in cooperation with the Ministry of Urban Development (MUD), held a celebration event marking the successful completion of the general local territorial plans for our five model municipalities of Berat, Elbasan, Fier, Lushnje, and Kuçova. The audience consisted of representatives of the national planning and development agencies,

the model municipalities, USAID partner municipalities, and the donor community; the event was broadcast live on several TV channels. Both the Minister of Urban Development and the USAID representative in Albania delivered their greeting remarks, expressing their gratitude to all partners and interest groups who participated in the GLTP drafting process.

These five GLTPs are the first drafted at the local level and adopted by the Government of Albania (GoA) in the aftermath of the Territorial Administrative Reform and the planning reform. The Minister expressed her appreciation to USAID in particular for its unwavering support over many years. The Mayors of Fier, Kuçova, and Elbasan also expressed their gratitude to USAID and MUD for providing valuable support and said that they

view the GLTP as a local "constitution" for urban municipal development. These mayors stressed that implementation of their general local territorial plans will present real and significant challenges and highlighted the need for further support throughout the im-

plementation process. Most specifically, they expressed concerns regarding implementation of the urban planning instruments now required by the new urban planning law.

USAID BUILDS CAPACITIES OF NATIONAL AND LOCAL PLANNING AUTHORITIES

Thirty-one of Albania's 61 local governments -- including nine USAID Project partner municipalities -- are in the final stages of drafting and approving their first post-Territorial and Administrative Reform (TAR) General Local Territorial Plans (GLTPs). Each GLTP is a comprehensive review of a municipality's vision for its future that addresses such wide-ranging concerns as land use, economic development, environmental protection and infrastructure. In addition, a GLTP must include a detailed implementation plan -- the specific actions needed to achieve the municipality's vision. To assist its partner municipalities in developing these all-important implementation plans, USAID recently held three training workshops where Urban Planning experts provided information and instruction on powerful tools with the potential to help municipalities achieve their goals: Local Detailed Plans, Financial Instruments for Land Development and the use of GIS in the planning process.

The first workshop, attended by representatives of the National Territorial Planning Agency, addressed Local Detailed Plans (LDPs). LDPs, as their name suggests, bring the high-level vision and strategies of a GLTP to the ground level by analyzing the proposed plans for specific geographic areas within a municipal territory and then laying out the infrastructure needed and the tools to be used for developing each parcel of land. The LDP process involves intensive negotiation among stakeholders, landowners, municipal officials and developers.

Once a Local Detailed Plan is complete, the municipality can use land-development Financial Instruments to help fund proposed new or upgraded infrastructure projects. These Financial Instruments encompass a variety of approaches -- for example, transfer of development rights and land-value capture, to name just two -- for engaging the private sector and its financial resources as partners in funding the proposed infrastructure. USAID provided a two-day workshop, attended by 26 municipal planners from nine partner municipalities, that addressed, in depth, the use of such financial instruments within the LDP framework; USAID experts explained that financial

instruments, although an internationally accepted approach to land development, are context specific and dependent on local laws and frames of mind. They stressed that each municipality must adapt financial instruments to their own unique needs and objectives -- there is no single right way to implement financial instruments and successful financial instrument programs in other countries cannot be directly transplanted to Albania.

The workshop used a number of different approaches to teach participants about Financial Instruments, including actual case studies from already completed GLTPs (five of USAID's model municipalities recently received final approval of their GLTPs) to simulate financial instrument development. In each case, participants discussed the infrastructure needs presented in the case and strategized different approaches to using financial instruments to pay for improvements. Raimond Hazballa,

head of Elbasan's planning department, said, "The international case studies presented constituted precious food for thought and I think we can learn a lot from them. We are looking forward to the challenge of implementing financial instruments in Albania for the first time." Finally, to further assist partner municipalities in building their GLTP-related skill sets, USAID held a four-day training on the use of GIS in territorial

planning. The in-depth, hands-on workshop enabled participants from nine partner municipalities to learn how to use GIS techniques to create territorial databases and also how to use them as part of the analytical work needed for LDPs. Using actual land development cases, participants had the opportunity to use the GIS tools as they would in each step of LDP development. Attendees said that the workshop played an important role in facilitating their transitions from planning to implementation.

Taken together, the three training programs covered a lot of material and also gave participants the opportunity to apply what they learned, but there is more skill-building to be done: participants requested additional workshops in the coming months so that they can continue to build their capacities to more effectively implement their general local territorial plans.



USAID Urban Planning Expert, Tony Favro delivers at the training with the staff of National Territorial Planning Agency.

NEW CONSULTATIVE COUNCIL ENHANCES DECENTRALIZATION EFFORTS

Local Governments Now Have a Forum for Dialogue with Central Government

In mid-January, the Minister of State for Local Issues (MoSLI), with active support from USAID and the Council of Europe, convened the first meeting of a much-needed consultative body that will serve a vital role in Albania's decentralization efforts: the new Central/Local Government Consultative Council. The Council brings together representatives from the Government of Albania (GoA) and officials from the country's local government units (LGUs) in an ongoing forum for dialogue on decentralization and local governance issues. A historic initiative that has been sanctioned by the Council of Ministers, the Consultative Council is Albania's first formal structure obliging the central government to consult with local government authorities on policies, laws and other matters affecting local governance.

Participants at the inaugural meeting included the MoSLI, the USAID/Albania Country Representative, the Council of Europe's Secretary General of Local and Regional Activities, the Swiss Ambassador to Albania, the USAID Planning and Local Governance Project Chief of Party and Experts, the three Albanian Local Government Associations, members of the Albanian Parliament, deputy Ministers, mayors, and other national and international donors and experts.

Speaking at the event, the Minister of State for Local Issues called the Council "a key element of local government reform, and an indication of a climate of cooperation between central and local authorities in Albania." The Swiss Ambassador to Albania, highlighting the im-

USAID/Albania Country Representative Catherine Johnson to the Consultative Council: "Your role is critical in creating a sustainable dialogue between central and local government to discuss and consult on key reforms, and to decide on how to address challenges of post-reform decentralization."

portance of consensus and understanding in democracy, hailed the establishment of the Consultative Council as "an important milestone" for local democracy in Albania.

In her greeting remarks, the USAID/Albania Country Representative Catherine Johnson said that "the Consultative Council provides a very important forum for a long-overdue dialogue between central government and local government. This dialogue is critical, given the envisioned reforms affecting local government finance."

An outgrowth of the Territorial and Administrative Reform (TAR) and the 2015 Decentralization Strategy, the creation of the Consultative Council was mandated by the 2016 Organic Law as a means of ensuring proper implementation of decentralization reforms, particularly in the area of local government finance. Eighteen members in total will sit on the Council: nine deputy ministers, one from each of the nine line ministries, and three representatives each from the three local government associations.

The Consultative Council will be an ongoing communication channel between the central and local governments, an unprecedented opportunity to promote non-partisan consensus building on challenging issues of importance to local governance. USAID recognizes these challenges and will support this joint consultative process in promoting productive dialogue and constructing a strong foundation of decentralization reforms.

View of the inauguration meeting of the Central/Local Government Consultative Council



DECENTRALIZATION IN ALBANIA, 1 YEAR LATER

Conference on Local Governance

In coordination with the Albanian Association of Municipalities (AAM) and the Association for Local Autonomy of Albania (ALAA), USAID conducted on September 28, 2016 a working conference on local governance entitled “Decentralization: One Year Later.” The session drew 90 participants including mayors and senior officials from 33 municipalities, USAID Albania’s Country Representative Catherine Johnson, the Minister of State for Local Issues and representatives from both local government associations (AAM and ALAA), the Ministry of Finance (MoF) and other national and international donors.

Attendees assessed the impacts of decentralization from a local governance perspective one-year post-Territorial Administrative Reform and the efforts on implementing a new Law on Local Self-Governance. A non-partisan dialogue among mayors on issues of importance to local governance, enabled stakeholders to openly share their views on lessons learned, opportunities, and challenges of the implementation of the Decentralization Strategy was one of the best results of this conference.

In response to mayors’ needs and concerns, international donors and partners who provide assistance and support to local governance in Albania shared thoughts about their upcoming plans and activities. Results of this conference have informed on USAID Project activities and fed the report on the implementation of the decentralization strategy that was in process that time.



From left: President of AAM and Mayor of Shkodra Voltana Ademi, USAID/PLGP Chief of Party Kevin McLaughlin, Minister of State for Local Issues Bledi Çuçi, USAID/Albania Country Representative Catherine Johnson, and Vice President of ALAA and Mayor of Roskovec Majlinda Bufi presiding at the National Conference on Local Governance.

SUPPORT TO MUNICIPAL COUNCILS

Building Capacities of Local Decision-Makers

Albania’s recently adopted Law on Local Self-Government clearly vests local municipal councils with the responsibility of representing citizens’ interests in community strategic planning, policy matters, decision-making, and performance oversight. And, these broad and complex demands come in addition to the real-time demands of plenary sessions, committee meetings and more.

USAID, committed to supporting its partner municipalities in ongoing local-governance capacity building, is helping local councils meet these obligations by creating and providing training and instructional materials to council Presidents and Secretaries.

One of these resources, a Handbook for Municipal Council Secretaries, covers the many aspects of local governance vital to municipal councilors including the legal framework governing a council’s institutional powers. The handbook also contains sample Codes of Procedures and Codes of Ethics that can be used as templates for customizing the municipality’s own procedures and ethical standards.

Each municipal council is required to adopt a set of detailed regulations governing the functioning of the council,

the relationship with the Mayor and communications with constituents. The Code also delineates the framework for the functioning of sitting and ad hoc committees.

In the aftermath of the handbook-based trainings provided to partner municipalities, USAID received a request from the Gender Alliance of Tirana’s Municipal Council asking for assistance in preparing the Council’s procedural regulations. In response, USAID’s Local Governance Expert drafted a set of regulations and then participated in the consultative sessions where the draft-regulations were discussed and amended. The full Council will consider and vote on the proposed regulations in the near future.

Local councilors and secretaries of USAID partner LGUs in a training



CROSS-MUNICIPALITY TRAININGS ENCOURAGE DIALOGUE AND SHARING OF BEST PRACTICES

Across Albania's 61 municipalities, mayors and other local officials face many of the same challenges, among them how to increase own-source revenues and how to improve tax administration. Over the years, the Planning and Local Governance Project, USAID has promoted cross-municipality collaboration and information sharing as a means by which local leaders can learn from each other to more quickly develop their technical capacities. Most recently, USAID offered two study visits that continued this approach, which encourages dialogue and allows for the sharing of best practices.



Photo above: Mayor of Shkodra Voltana Ademi delivering greeting remarks to study tour participants; photo below: Local Tax Director Blendi Gjylbegu presenting his municipality's experience in tax collection.



staff from Lushnja, Vlora and Patos requested follow-on, on-the-job trainings in the near future.

Then, in November, USAID organized another study visit. In this instance, 13 officials from the municipalities of Korça and Lushnja visited Shkodra prior to preparing their 2017 budgets and fiscal packages – one of the most critical and sensitive responsibilities in local governance. With a focus on mobilization of own-source revenues, representatives of all three municipalities shared their experiences and identified best practices, particularly with regard to the challenges of the territorial reform. Korça was specifically included in the study visit because it is a high-performing municipality with good management capacities that are potentially relevant to other local government units. Participants benefited not just from the information shared, but also from the collaborative relationships they were able to develop with their counterparts in other LGUs – even those from LGUs chaired by different political parties. During the remaining months of the project, USAID will continue to use study visits as an effective tool for raising technical capacities and strengthening municipalities. In the words of Soniel Prifti, Director of Korça's Revenue Department, "These activities allow us to share our experiences and learn from each other while also building our professional networks. I believe that these personal enhanced relationships with our colleagues will continue even after the USAID project is done."

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city to administer taxes more efficiently and productively and Fier is now considered a leader in adapting and using information technology to improve municipal administration. During the study visit, senior managers and technical staff from Fier's Tax, Urban Planning and ICT departments hosted their 16 visitors by sharing their experiences, achievements and challenges with respect to local tax administration, adapting and using new ICT applications and the recent territorial expansion. The day's lively discussions enabled guests to envision new possibilities for their municipalities and raised their interest in similarly employing USAID-provided ICT applications. Teuta Korreshi, Deputy Mayor of Lushnja, said: "Besides sharing mutual experiences, the study visit was a powerful demonstration of the benefits of using ICT tools in our daily work." An additional outcome of the study visit:

TAX TRAININGS ENHANCE LOCAL CAPACITIES

USAID Assists Partner Municipalities with Customized Workshops on Local Tax Collection and Administration

At the request of the Municipality of Korça, USAID experts recently conducted a two-day workshop entitled “Current Issues in Local Tax Collection and Administration” for 34 of Korça municipality’s tax officials. Our Tax Expert discussed issues in local tax-collection management and possible upcoming legal changes, and assisted participants in identifying Korça-specific tax-collection issues. Participants presented an update on recent improvements in their debt management practices, many of which emanated from a USAID-sponsored study visit to Durres held last year.

Workshop participants expressed particular appreciation to USAID for its role in organizing this 2016 study visit and credited it with playing an important role in the substantial progress the municipality has made in improving its debt management practices. Throughout the two-day program, the group of tax officials showed strong interest in the material and participated actively in the discussions.

In conjunction with the training, we created a take-away Reference Guide that was distributed to participants to help them on an ongoing basis in their daily work. Ko-

rca’s General Director of Taxes and Tariffs, Kletjon Kita, said, “Tax debt management is a ‘hot topic’ and we found the discussions in Durres to be very helpful. There have been many significant challenges associated with the Territorial Administrative Reform and we were able to help each other improve our technical capacities.”

Likewise, USAID conducted similar trainings to the municipalities of Elbasan, Berat and Lushnje and created a condensed, one-day version of the workshop where tax officials from Elbasan and its Administrative Units took advantage of the opportunity to enhance their understanding of the current context and current best practices in tax administration. Participants in both workshops also received copies of a USAID-prepared Reference Guide on tax collection management that will serve them in their daily work.

Because many of USAID’s partner LGUs are facing tax administration challenges as a result of the TAR, we are planning to replicate this workshop with all of our partner municipalities, adapting it as needed to reflect local issues and providing local staff with a customized version of the related Reference Guide.

Local tax officials from the municipalities of Lushnje (top left), Korça (top right), Berat (bottom left) and Elbasan in local tax training sessions.



PPPs ENABLE IMPROVED LOCAL SERVICES AND INFRASTRUCTURE

Public-Private Partnerships: A Method for Supporting Improvements in Local Services and Infrastructure

Public-private partnerships (PPPs) – new to Albania – are a funding methodology that relies on cooperation between the public and private sectors to enable investment in vital infrastructure and public service projects when insufficient government funds are available. In recent years, the Government of Albania has relied on PPPs to enable major energy, construction and sports projects, but Albanian municipalities have been wary of

the private firm is not just that it recoups its investment, but also that it is able to generate business that would have taken years to materialize. In the case of public lighting, for example, a municipality would partner with a firm that offers lighting products and that recognizes the mutually beneficial nature of a PPP. Not all PPPs are workable, however; the first step in any proposed PPP is to conduct a feasibility study that examines all aspects of



View of the training on PPP for public lighting projects with local staff of USAID partner LGUs.

PPPs, viewing them as “not for us.” Now, though, such partnerships are becoming a possibility at the local level: municipalities are recognizing that PPPs offer the potential of accomplishing high-priority projects – such as lighting, waste management, and public parking – even in the face of limited funding.

In recent months, USAID has been working with partner municipalities Korça, Kuçova, and Elbasan on a set of parallel pilot projects to assess the feasibility of using PPPs to address a critical infrastructure need: improved street lighting. In all 3 LGUs, street lighting in many residential areas is in poor condition or completely lacking. Proper lighting is essential both for safety and to boost the municipalities’ appeal as commercial and cultural centers but lighting is expensive and budget constraints make it impossible for the municipalities to address the problem. PPPs offer the possibility of moving past such constraints so that municipal priorities can be addressed and citizens can experience improved quality of life. USAID provided a high profile expert from Vermont Energy Efficiency, Andrew Rusch, who gave an international technical perspective on PPP for public street lighting.

A PPP is a long-term contract between a local governmental unit and a private company whereby the capital and expertise of the private sector are used in the short-term to enable the infrastructure investment and then, over a negotiated period of years, the municipality pays back the investment. What makes a PPP beneficial for

the arrangement: technical requirements, costs and benefits, timing, type of contract, future payments, ongoing maintenance and, of course, the capabilities of potential partners. Because USAID is committed to building capacity in its partner municipalities, the current PPP projects with Korça, Kuçova, and Elbasan are an opportunity to work side-by-side with municipal officials and guide them through the feasibility assessment process so that they have the knowledge and expertise to evaluate future PPPs on their own. Ilirjan Llangozi, Deputy Mayor of Kuçova, says, “PPPs are an effective way for us to provide citizens with more and better services in all areas of the extended municipality. The process of preparing the PPP feasibility study has given our municipal staff valuable knowledge and the experience to work on other projects in the future.” In addition, USAID is training staff from all its partner municipalities in all facets of the PPP process: how to design and structure a PPP, how to assess the costs and benefits of potential partnerships, how to identify qualified partners and how to manage and monitor the performance of PPP contracts.

Throughout the local governance project, USAID’s goal has been to help its partner municipalities develop innovative approaches that will improve their effectiveness and enable citizens to more readily access basic services. PPPs, while not the solution to every municipality’s infrastructure and social service needs, do offer the possibility of circumventing customary limitations to address ongoing development challenges.

USAID HELPS LOCAL GOVERNMENTS WITH WATER UTILITY MANAGEMENT

Business Plans Support Municipalities in Implementing Water Sector Reforms

The June 2015 Territorial and Administrative Reform (TAR) did much to change the physical landscape of local government in Albania including the need for many changes and reconsiderations with regard to the provision of local services. One of these changes – still ongoing – is the consolidation of all regional water and sewerage service providers into a single provider for each municipality. This is a challenging process, with multiple steps, and USAID has played a major role in assisting selected partner LGUs in meeting these challenges.

As a result of the TAR, existing water utilities in each newly defined municipality are required to merge into a single, corporatized water service and sewage provider wholly owned by its parent municipality. Further, recent Water Sector Reforms approved by the Government of Albania’s Council of Ministers mandated additional requirements: first, each LGU must develop a water utility Transition Plan that addresses the consolidation process, and second, it must create a five-year Business Plan (covering 2016-2020) that addresses all of the factors affecting the utility’s ability to provide reliable service in a financially sustainable manner while also following sound commercial practices. The Water Sector Reforms also mandated that, for the first time, mayors and senior municipal staff would need to participate in the water utility planning process.

Working in conjunction with mayors, their staffs and utility directors and their staffs, USAID established working groups in the municipalities of Fier, Lushnje, Patos, Tirana and Vlora and provided intensive support to assist each LGU in completing their Transition Plans. Subsequently, USAID began work with selected municipalities on the next step in the process: creation of the five-year Business Plans. The plans for Fier, Lushnje and Patos were recently completed and the plans for Tirana and Vlora are currently underway. This business planning process, facilitated by USAID’s water specialists, is an interactive give-and-take between municipal staff and their water utility counterparts. During the working sessions, participants engage in “what if” discussions to assess and understand the impact that different investment, operational and staffing decisions and practices might have on the utility’s financial results. The goal – as

mandated by the Water Sector Reforms – is to ensure the long-term sustainability of each municipality’s water utility. Traditionally, Albanian’s water utilities have received operating subsidies from the Central Government, but these are currently being decreased and will continue to do so until no further subsidies are provided. As a result, it is imperative that all water utilities reach break-even operations as soon as possible and soon thereafter begin to generate “free cash flow” so that they can fund both expected and unexpected capital expenditures for the renewal, repair and replacement of aging infrastructure. Each municipality’s 5-year plan is not just a tool to ensure financial accountability – a key element of the utility’s compliance requirements. The plan is used to:

Mayor of Fier, Mr. Armando Subashi: “This business plan will be the compass that guides the work of our Water Utility for the following years, paving the way for sustainable performance and service. It will be a very important tool for professional decision-making as we aim for better, more reliable service for our citizens.”

- Quantitatively assess the performance of the utility on a set of operational and financial performance indicators collected by the Agency for Water Supply and Sewerage.
- Gain consideration and approval of any tariff and fee restructuring. Even though each utility is fully owned by its respective municipality, it may not alter its fees without first seeking review by the national Water Regulatory Authority.
- Negotiate performance expectations with the Ministry of Transport and Infrastructure (MTI). The recent water sector reforms require that

each municipality enter into a performance agreement with MTI, the line ministry for the water supply and sewerage sector.

At the close of the business planning process, a copy of the full plan is provided to the municipality of Fier and its utility along with an Excel spreadsheet workbook that can be used to model hypothetical situations to see their impact on utility performance. Because the nature of the water utility business is highly dynamic, performance needs to be monitored and assessed vis-à-vis the Business Plan on at least a quarterly basis.



USAID water experts discuss water utility 5-year business plan with the Deputy Mayor of Tirana

CBS – A CIVIC MECHANISM TO PROMOTE GOOD GOVERNANCE AND LOCAL DEMOCRACY

Community-Based Scorecards Allow Citizens to Voice their Priorities and Promote Good Governance Dialogue



“**G**ood governance depends on the involvement of citizens. In order to meet the needs and priorities of their constituents, local leaders must understand what those needs and priorities are,” says Lori Memo, USAID Project Civic Engagement Expert. To promote this sort of civic dialogue, USAID and UN Women have worked collaboratively with NGOs and Citizen Advisory Panels (CAPs) to implement Community-Based Scorecards (CBSs) in selected Albanian municipalities. Since 2015, a total of 10 LGUs (Berat, Elbasan, Fier, Gjirokastra, Kamza, Korça, Kuçova, Lushnje, Vlore and Shkodra) have employed CBSs as a means to crystalize the needs and priorities of citizens and assess LGUs’ performance in meeting those needs.

CBSs use input from both citizens and local officials to measure municipal performance in a variety of areas: quality of local infrastructure and public services, government openness and information-sharing, job creation and business friendliness, land-use planning and commitment to inclusiveness. During this scoring process, citizens give their perspectives on their local government and municipal officials explain their constraints in delivering services. When the process is complete, local leaders and citizens then come together in a posi-

tive partnership to share and discuss the CBS results and work together to find appropriate solutions. Implementation of CBSs involves a multi-stage development process: First, USAID and UN Women identify the indicators to be measured. Next, scoring takes place in each municipality during a set of focus groups designed to the open sharing of opinions from a wide range of citizens, including groups whose reflections might otherwise be marginalized, such as women, local leaders, individuals with special needs and youth. In a similar process, the indicators are presented to the municipality’s mayor and high-level administrators so that they can evaluate their own performance. Then, the numerical scores, the focus group findings and any recommendations from citizens and local public officials are merged into a single set of findings. And, finally, the results are presented and discussed at a public meeting that the entire community is encouraged to attend, including the mayor and municipal officials.

COMMUNITY-BASED SCORECARDS LOCAL ELECTIONS 2015



Once the CBS process is initiated in a municipality, performance is monitored annually to see if key priorities are being addressed. In municipalities where this monitoring is in place, results have been measurable: recommendations from the 2015 scorecards were incorporated into year-2016 municipal budgets and the subsequent 2016 scorecards show that roads, school buildings, social programs and other public facilities and services have improved. And, residents report increased trust with local government and feelings of empowerment. CBSs are one more example of USAID’s work to build strong local governance by empowering citizens and promoting positive, productive relationships between citizens and their elected officials. In the public meeting organized with citizens for the presentation of CBS developed in Kuçova Mayor Kapllanaj stated that the CBS project “is very valuable for our municipality, as it provides an opportunity for better understanding citizens’ needs and priorities and for being more accountable and transparent.”

USAID AND UN WOMEN PROMOTE BEST PRACTICES IN CIVIC ENGAGEMENT

National Conference Offers Tools to Support Good Governance

To promote the importance of local civic engagement as a tool for supporting good governance and local democracy, USAID and UN Women recently held a national conference, Civic Engagement at the Local Level: Strengthening Citizens' Voices through Local Civic Mechanisms. The event focused on two specific engagement tools: Citizen Advisory Panels (CAPs) and Community-Based Scorecards (CBSs), both of which are used to enable the voices of citizens in their local communities, and both of which have played a significant role in the USAID Planning and Local Governance Project.

Community-Based Scorecards, a more recent innovation, use input from citizens and municipal administrators to report on the “state of the union” in a community. Since 2015, USAID and UN Women have jointly sponsored the CBS program and, thus far, have implemented them in 10 LGUs: Berat, Elbasan, Fier, Gjirokastra, Kamza, Korça, Kuçova, Lushnje, Vlore and Shkodra.” For year 2017, six new scorecards will be developed in the municipalities of Saranda, Patos, Vora, Roskovec, Lezha, and Kukes.

In her opening remarks, USAID/Albania Country Representative Catherine Johnson cited CAPs and CBS as effective tools that foster dialogue among local government officials and citizens. “Civic engagement – the responsibility to be a good citizen – does not begin or end with voting,” said Johnson, “Citizens must be continuously involved in decisions that affect their daily lives.

For Albania’s 61 municipalities to effectively serve their constituents there must be a broader and deeper level of civic engagement. Together we must work to heighten the awareness and engagement of civil society and citizens in local governance.”

The December conference drew more than 130 attendees, including mayors, officials and interested citizens from various municipalities as well as other stakeholders, including representatives from Albania’s associations of municipalities and members of NGOs and the donor community.

During the event, participants heard about the opportunities and challenges of using both the CAP and CBS approaches and representatives from local municipalities presented specific case studies on the use of these tools in practice. “This is the best conference I have ever attended, because of the practical tools presented,” said Ms. Luiza Grazhdani, Tirana Municipal Council member.

Since 2012, USAID has assisted 15 Albanian municipalities in establishing and nurturing Citizen Advisory Panels, an effective, bottom-up approach for empowering citizens and improving communications with their elected officials.



Photo on the left: USAID/PLGP Chief of Party Kevin McLaughlin delivering greeting remarks; photo bottom right: (from left) UN Women Leadership and Political Participation Program Manager Fiorela Shalsi, USAID/PLGP Chief of Party Kevin McLaughlin, USAID/PLGP Civic Engagement and Communications Expert Lori Memo, UN Women/Albania Representative David Saunders, CBS Implementor Mirela Arqimandriti, and USAID/PLGP Advisor Peter Clavelle - the core CBS team.

UPDATE ON DECENTRALIZATION REFORM: DRAFT LAW ON LOCAL GOVERNMENT FINANCES NEARS FINAL APPROVAL

Draft Law on Local Government Finances Finalized by the Ministry of Finance

In our last newsletter, we reported on USAID's efforts to advance fiscal decentralization in Albania through the development of a comprehensive Local Government Finance Law (LGFL). In recent years, the Government of Albania (GoA) has enacted many substantive decentralization reforms, yet these new legal and policy frameworks have not been accompanied by the fiscal decentralization needed to ensure their implementation. Effective local governance simply is not possible if municipalities lack the resources to fulfill their mandates.

Now, after months of intensive effort on the part of USAID, the Ministry of Finance (MoF), local government units and other stakeholders, the MoF has finalized Albania's first-ever draft-Local Government Finance Law and is preparing to submit it to the Council of Ministers for consideration and approval. The final draft is the outgrowth of a series of consultative sessions with local governments and their associations, line ministries and other central government institutions, civil society and the donor community that allowed these various stakeholder groups to provide comments and recommendations. Once enacted, the LGFL – a significant step forward in the country's decentralization efforts – will:

- **Address the historical underfunding and unpredictability of the unconditional transfer** by anchoring its size to 1% of the Gross Domestic Product (GDP) beginning in 2018. Because this provision doesn't go into effect for another year, the 2017 unconditional grant has been increased by two billion ALL over year 2016, a 19% increase. Anchoring the unconditional grant to GDP ensures that the transfer will increase at least

each municipality will never fall below the amount received in the previous year

- **Regulate conditional transfers for newly decentralized functions, delegated functions and specific projects of national, regional or local interest** by setting rules that will ensure that LGUs' mandated responsibilities are fully funded and that grant allocations are made transparently, using objective criteria.
- **Enable allocation of 2% of Personal Income Tax (PIT) revenues to LGUs**, beginning in fiscal year 2018. PIT sharing has been promised to local governments since decentralization reforms were first introduced in the 1990s, but it is only now, in the LGFL, that the GoA has moved ahead with its commitment by defining the actual percentage that would be shared with LGUs. This would increase local government revenues by 600 million ALL with the expectation that the amount, assuming no reduction in current tax rates, would grow from year to year.



3-4% annually in nominal terms, while a safeguard provision makes certain that the transfer received by

- **Regulate local government powers regarding selected taxes and fees** to ensure increased autonomy and discipline in the creation and implementation of local taxes and fees, and to guarantee a fair allocation of the fiscal burden across different taxpayers. USAID's original proposal suggested that the LGFL embody full fiscal decentralization reform by encompassing all sources of revenue (taxes, borrowing, asset management and intergovernmental transfers), but the provisions in the final draft-law do not yet allow for such comprehensive reform. Instead, local taxing powers will, for the time being, continue to fall under the exist-

Continues on page 13.

UPDATE ON DECENTRALIZATION REFORM: DRAFT LAW ON LOCAL GOVERNMENT FINANCES NEARS FINAL APPROVAL

ing Law on the Local Tax System. Nonetheless, it is expected that local taxing powers will be reformed at a later stage, once property tax reform and establishment of the fiscal cadaster are complete.

- **Clarify the roles and responsibilities of actors involved in the budgeting processes**, including the relationships between mayors, Municipal Council members, citizens and the MoF that would help with the timely, accurate and reliable planning and implementation of local budgets.
- **Align local budget planning and implementation practices** with those of the national government to allow for better coordination of efforts.
- **Enhance communication between municipalities and the MoF** by requiring the regular exchange of information, reporting and monitoring on budget planning, implementation and auditing aiming at ensuring sustainable and prudent local fiscal policies, effective and efficient use of scarce public finance resources and informed policy making.
- **Regulate external auditing** by requiring that, in addition to the State High Control, private auditors would be responsible for external auditing.
- **Establish rules for increased transparency, accountability and citizen involvement in setting** local taxes and fees and determining the ways taxpayer money may be spent.
- **Improve the management of situations where municipalities are experiencing fiscal distress or insolvency** by prescribing for the first time roles, responsibilities and processes to be followed by both levels of government.
- **Ensure regular and open dialogue and consultations between the two levels of government** on fiscal matters through, but not limited to, the new central/local Consultative Council.

Throughout the LGFL-development process, USAID has been a lead provider of technical assistance to the MoF and during that time, our goal has been to

structure a law that would maximize the funds available to Albania's 61 LGUs by eliminating structural weaknesses in the legal framework regulating their ability to raise revenues. Many other stakeholders were also involved in the LGFL working group and each of these key contributors – donor organizations, local officials and national policymakers – brought their own priorities and expertise to the table. While not all of USAID's recommendations have been incorporated in the final draft, there is no doubt that the draft-LGFL, if properly implemented by both levels of government, will support the GoA's decentralization policies and contribute to improving the financial circumstances of the country's post-TAR municipalities so that they can fulfill their expanded scope of responsibilities.

Albania's recent decentralization reforms hold the promise of improving the efficiency and effectiveness of local government and the LGFL is a significant and vital step toward achieving that promise. Without thorough, equitable fiscal decentralization reform, local governments in Albania will continue to be in a precarious financial position as the demand for local services far out-strips the availability of financial resources.

Kevin McLaughlin, USAID's Chief of Party for the local governance project, says, "USAID believes that for Albania to achieve effective decentralization, fiscal decentralization reform must achieve an equivalent level of thoroughness and impact. We are heartened by the MoF's commitment to the LGFL and are hopeful that the GoA recognizes the urgency of adopting the law and closing the gap that prevents citizens from accessing the improved services they both want and deserve."



View of LGFL regional consultative meetings with local representatives in Fier and Shkodra (pg. 12), and Tirana.

IMPROVING EFFICIENCY AND EFFECTIVENESS OF LOCAL GOVERNMENT OPERATIONS

USAID Supports Albania's First Local-Level Public Expenditure and Financial Accountability (PEFA) Assessments

Fran Brahim, Local Government Budget director at the Ministry of Finance: "This PEFA assessment will prove very important and useful to inform the ongoing reform on fiscal decentralization and the adoption of the Law on Local Government Finances, in that it will provide a thorough diagnosis of the strengths and weaknesses of current systems, processes and practices used by local governments for managing scarce public financial resources. This will allow the MoF to make informed decisions over the design of the new set of rules on public finance management within the Law on Local Government Finances."

Last year, USAID launched a collaborative effort with the Swiss Secretariat for Economic Affairs (SECO) to conduct Albania's first-ever local-level Public Expenditure and Financial Accountability (PEFA) assessments. PEFA assessments are a powerful, internationally accepted tool for evaluating the strengths and weaknesses of public financial management (PFM) systems, practices and procedures. The PEFA process uses 31 evidence-based quantitative indicators to measure and monitor PFM performance with regard to such practices as transparency, budget reliability and reporting so that both national and local governments can achieve sustainable improvements in PFM practices.

Over the past months, two assessment teams, each composed of four local and three international PFM experts, have conducted PEFA assessments in five municipalities: Tirana, Berat, Kuçova and Fier – all USAID partners -- and Tropoja. These municipalities were selected so as to provide a representative sample of Albanian LGUs

in terms of economic, financial, geographic, demographic and political considerations.

Data collection in each municipality has been completed and now the assessment teams are working in cooperation with experts and policymakers from the municipalities themselves, the PEFA Secretariat, the Ministry of Finance, the Supreme Audit Institution, the World Bank, the EU Delegation to Albania, the United Nations Development Program in Albania and the Swiss-funded Decentralization and Local Development Program to finalize the assessment reports. The next step will be to share the reports with all stakeholders at a dissemination and capacity-building workshop in March 2017.

The PEFA assessments are intended to provide a thorough and accurate analysis of the strengths and weaknesses of PFM arrangements at the local level in Albania. But, they also offer an excellent opportunity to compare all of the municipal PFM processes with internationally accepted best practices, which will help both the municipalities and the Ministry of Finance to improve current systems and the legal framework.

In fact the PEFA reports are being developed simultaneously with the discussions on the draft-Law on Local Government Finances and are preceding the drafting of its bylaws and accompanying legislation. By also identifying the areas that need further efforts and supports, PEFA assessment reports are similarly important to coordinate donor assistance.

The PEFA framework uses 31 evidence-based performance indicators to evaluate PFM systems across seven key areas: budget reliability, transparency, asset and liability management, policy-based fiscal strategy and budgeting, predictability and control of budget execution, accounting and reporting and external scrutiny and audit.

USAID/ALBANIA COUNTRY REPRESENTATIVE VISITS THE PARTNER MUNICIPALITY OF KORÇA

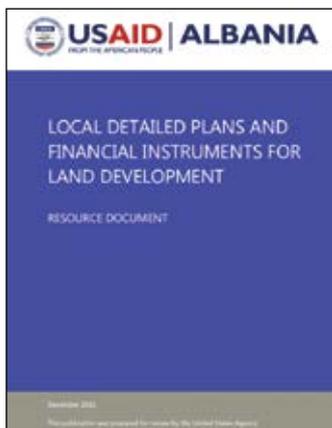


Left photo: Mayor of Korça Sotiraq Filo (left), Deputy Mayor Benila Terova and USAID/Albania Country Representative Catherine Johnson; right photo: view of the one-stop-shop established with USAID support.

On February 7, the USAID/Albania Country Representative Catherine Johnson paid a visit to the Municipality of Korça, a partner municipality of the USAID/PLGP Project. Mrs. Johnson met with Korça Mayor Sotiraq Filo to discuss the USAID activities to date and potential future support. According to the Mayor Sotiraq Filo “today is a great opportunity to thank USAID in the name of the citizens of Korça for the great assistance that USAID/PLGP

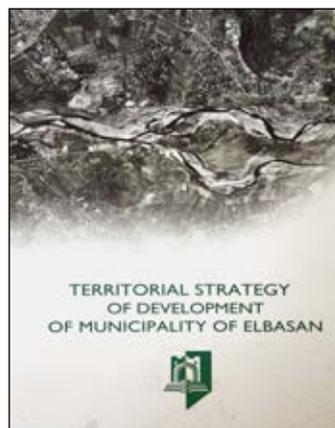
has provided over the years including the assistance provided to my municipality on managing assets and local taxes which has helped us both increase and better manage own-source revenues, supporting increased transparency and communication with the citizens of Korça through the Citizen Advisory Panels and the One-Stop Shop”, and the ongoing draft-Local Government Finances Law (LGFL).

Project Publications



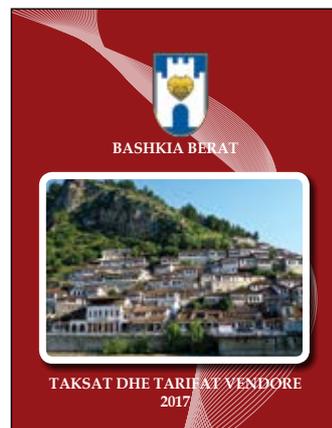
Local Detailed Plans and Financial Instruments for Land Development

This document details how five financial instruments—betterment fees, special assessment districts, business improvement districts, conditioned building intensity, and transfer of development rights—can be an important part of the territorial planning process in Albanian LGUs.



Territorial Strategy of Development of the Municipality of Elbasan

As part of the GLTP, this strategy builds on the scientific and territorial analysis and on the needs and expectations expressed by citizens and various stakeholders. Its methodology meets all procedure and content requirements set in the applicable planning legislation.



A Guide to Local Taxes and Fees of the Municipality of Berat

USAID assisted the Municipality of Berat in designing and publishing a practical guide, which provides detailed information on local taxes and fees for both categories of taxpayers – citizens and local businesses. Rates are given for tax on property, land, transport, business, etc.



A Guide to Local Taxes and Fees of the Municipality of Elbasan

USAID assisted the Municipality of Elbasan in designing and publishing a practical guide, which provides detailed information on local taxes and fees for both categories of taxpayers – citizens and local businesses. Rates are given for tax on property, land, transport, business, etc.

Outreach

USAID Facebook Page

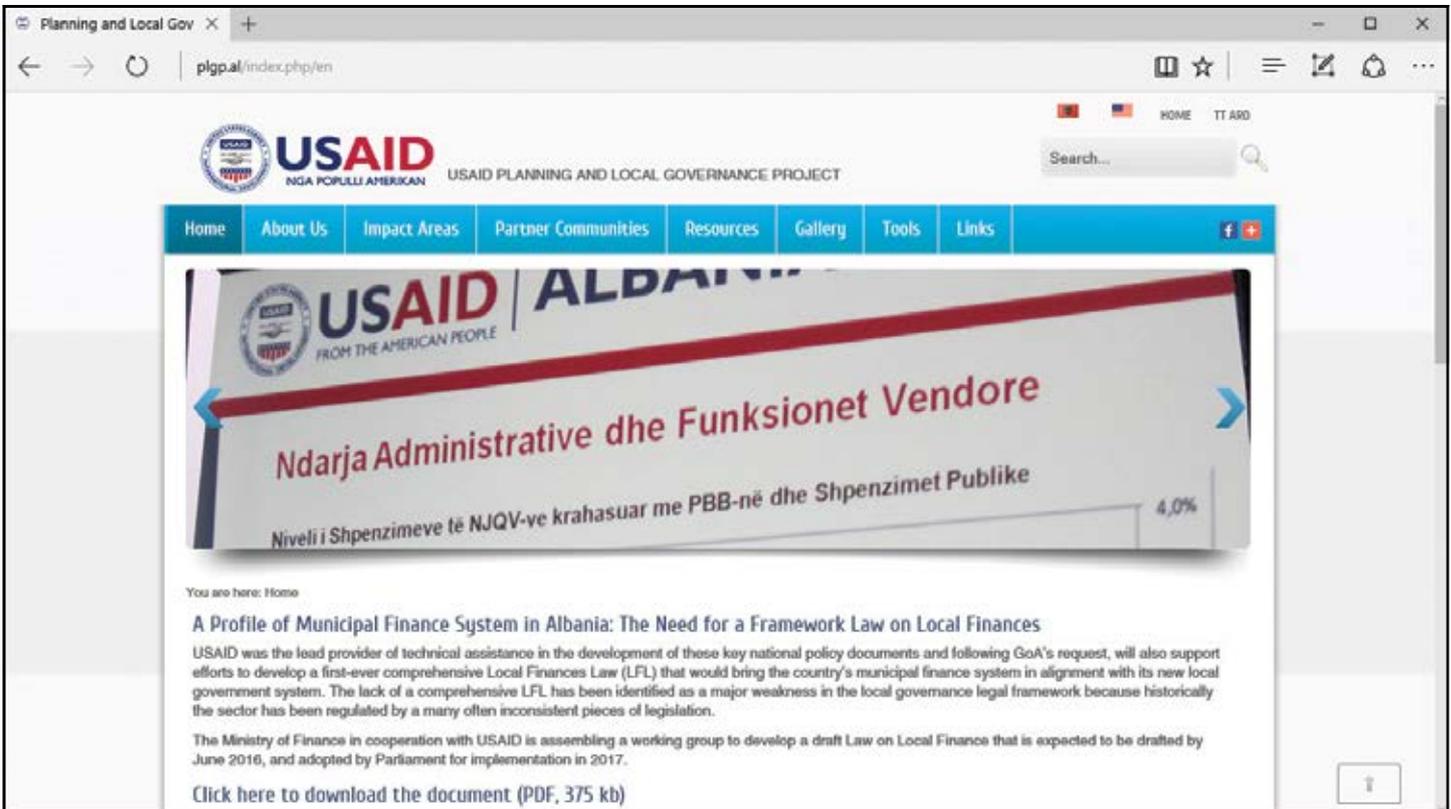
 USAID/Albania has an active Facebook page. Like this page to follow our work and stories from the 15 communities as well as information from other USAID projects around the country. Go to: www.facebook.com/Albania.USAID for more.



USAID's Planning and Local Governance Project Website

While this newsletter will continue to be published periodically, you can also get up-to-date information on the progress of the USAID project and its partner municipalities at our website: <http://www.plgp.al>.

The site features news about ongoing and upcoming activities. You can find resources and publications that support and guide community and municipal development. Other information available in the USAID Project website include news, success stories, reports, and links to project partners and counterparts.



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