United Nations Development Programme
Country: ALBANIA
Project Document
(Substantive & Budget Revision 3)

Project Title: Support to Territorial and Administrative Reform (STAR)

GoA - UN Programme of Cooperation Outcome:
3.2: The public, including marginalized groups and communities, better receive equitable, inclusive and accountable decentralized services from regional and local governments.

GoA - UN Programme of Cooperation Output:
3.2.1 Central government has the capacity to implement an approved decentralization strategy, as well as undertake administrative-territorial reform, local governance and fiscal reforms.

Implementing Partner: Minister of Local Issues

Brief Description: This substantive and budget revision (3) is made to reflect the financial contributions of the Governments of Switzerland, Sweden, Italy and United States in support of the Government’s territorial-administrative reform program; and Government of Albania cost-sharing contributions. The revision also elaborates the deliverables for the transition and implementation phases of the STAR program.

The Government of Albania is committed to a radical administrative and territorial reform which aims at aligning institutional capacities of local and regional authorities commensurate to their mandates and their performance goals. A Minister for Local Affairs has been established to oversee this reform and its future stages. The present project provides operational support to the Minister of Local Issues to complete the reform actions in an effective and efficient manner, following a due process of consultations and participatory processes described herewith. The project constitutes the due process and fund management support to the Minister without portfolio provided by the international community in Albania. Operational support is provided by UNDP under UNDP rules and regulations and within the legal framework of the Standard Basic Agreement between the UNDP and the Government of Albania, of 17 June 1991.

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<td>Nov 2013</td>
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<td>Dec 2015</td>
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<td>National Implementation Modality (NIM)</td>
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Total resources required: $3,672,460

Total allocated resources:
- Government of Albania: $77,822
- UNDP (TRAC): $100,000

Other:
- SIDA: $1,395,836
- USAID: $400,000
- SDC: $702,738
- Italian Cooperation: $999,264

Agreed by Government of Albania (Minister of State for Local Issues):

Agreed by UNDP:
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I. SITUATION ANALYSIS

1.1 Efforts to date on advancing a territorial and administrative reform in Albania

Law Number 8653 of year 2000 regulates the administrative and territorial division of Albania, composed as of now of 373 local government units of first tier and 12 regions (qark) of second tier. Despite being a relatively recent legislation, the proposed division was far from being innovative; indeed it largely mirrored the administrative division of the previous communist regime based on a centralized economy and prevailing rural cooperatives, although undertaken in a different political context and based on a first post-communist re-organization in 1992.

Such local administrative and territorial setup, accompanied with the introduction for the first time of real political decentralization in the early 90ies, was certainly a great democratic success at that time. However, soon after its implementation there were growing concerns that a highly fragmented local administration would be soon problematic in terms of efficiency, effectiveness of service delivery and dysfunctional in many ways.

Definitely, the extent of this fragmentation led to the establishment of very small local self-government units where 55% of communes and 15% of municipalities comprised less than 5,000 inhabitants each and, at the extreme, 4% of communes had less than 1,000 inhabitants in 2001.

The asymmetrical economic development of the country during the last two decades attracted a massive demographic movement towards the most developed west lowlands and the main urban centres, which at the same time saw a further depopulation of many small administrative units. The 2011 census reflects this depopulation and its extent in plain figures: 70% of communes and 26% of municipalities now comprise less than 5,000 inhabitants and 12% of communes do not even count more than 1,000 inhabitants.

The demographic dynamics has not been the only negative influence of the situation. The quasi symmetric competences given to all local government units despite their diversity in size and population, that is the transfer "en bloc" of many competencies/functions to lower levels in loose correlation with local human resources, capacities and financial resources (not) channelled from the national budget and the often stalled and actually incomplete decentralization and fiscal reforms have led to extreme inefficiency and seriously hampered the provision and quality of services and the overall local development.

Actually, 230 LGUs out of a total of 373 spend 60% of their budget on own staff salaries and about 80 smallest LGUs do not provide any public service to their respective jurisdictions and communities. On the other hand, these local administrations more often do not raise any revenues and thus simply represent spending units.

In a commended anticipation of such forthcoming issues, only three years after the promulgation of law 8653, upon Government request, the Council of Europe commissioned a working paper for a new territorial and administrative division of Albania.

The CoE experts recommended the amalgamation of those LGUs having a population smaller than 3,000 inhabitants, spending more than 40% of total current expenditures on administrative costs and not reaching the minimal threshold of 4% of capital expenditures out of total expenditures. The recommended amalgamation process was proposed to undergo a voluntary phase and become compulsory and final before the local elections of 2006. This attempt went as far as the submission to the Parliament of a draft reorganization law in 2004, where it did not meet the necessary political support and was then shelved as future political willingness and readiness to engage on such reforms faded away.

It is worth and interesting to note that in the context of these initial efforts for consolidation, communes of Barbulushi and Bushat in Shkodra Qark volunteered to merge in 2003. Nevertheless, this was the only merger to date.

Since 2003, the need for a territorial and administrative review and consolidation of administrative units has re-emerged sporadically to the policy debate, mainly advocated by civil society and the donor community, to gain intensity only recently.

Reports from OSCE and UNDP in 2005-2006 and by Swiss Development Cooperation and the Austrian Development Agency after 2011 were based on experiences from local and regional development programs; they were followed by a thorough USAID study on fiscal decentralization and a SIDA funded study on Territorial Reform in Albania upon request of the Albanian Association of Communes in late 2012.
The recommendation for territorial consolidation has also featured in the EU Opinion Reports on Albania. The 2012 Report notes that "No progress was made on territorial administrative reform. Small local government units are in many cases not economically sustainable." The very recent 2013 Report further reiterates "Regarding local self-government, territorial administrative reform and decentralization have only marginally evolved. ... Local government units, especially those with low budgets and few human resources, have difficulties in implementing relevant legislation and development programmes." The foregoing have cumulatively underlined the need for territorial and administrative reforms in order for local authorities to be commensurately scoped with the capacities (legal framework, budgetary and human resources) necessary to meet the service demands placed on them by national legal provisions, as well as by citizen demands and needs.

Albania is not the only country in the region that has faced problems of a fragmented local government. Once a particular system is in place, reform can be intractable because of political interests of local and regional stakeholders. Some countries, such as France, Czech Republic and Slovakia have decided to implement extensive inter-municipal cooperation arrangements because consolidation of municipalities is politically impossible. Georgia amalgamated municipalities without a consultative process quickly after a change in political regime and is now considering a reversal of course. Armenia is planning to undertake consolidation of municipalities in a staged process beginning with one pilot in each region of the country. Finland piloted the consolidation of municipalities taking into account demographic, economic and linguistic criteria. The consolidation of municipalities in Denmark and Netherlands had a voluntary component, which made the process more politically acceptable and is considered best practice.

1.2 Current political commitment: the new Government Programme

Developmental and governance deficits have found a central attention in the program of the new Government which took office in September 2013. The necessity for an administrative-territorial reform, including consolidation of administrative units, has raised as an immediate term priority of the Government, with a full understanding that this reform would be part of a larger comprehensive package of changes to strengthen local administration efficiency and capacities to assume a better developmental role.

The Government expectations from the reform are high, multi-folded and anticipate positive changes characteristic to the rationale of supporters of consolidation, including inter-alia:

- Larger units of local government have more capacity to exercise a greater range of functions, so territorial consolidation allows for more delegation of services.
- A larger territory, provided that its formation is based on social, economic and historical commonalities and adequate internal access, facilitates development of economies of scale and therefore enables larger units of local government to provide services more efficiently and with lower costs.
- A territorial re-organization with larger units creates less income inequality among local government units, and therefore less pressure for equalization, curbing so political sensitivities.
- Larger units dispose of a larger pool of human resources and therefore more capable of ensuring technical efficiency, establish dedicated service delivery units and mobilize local expertise to succeed in international cooperation and attract external finances.

It is in this spirit that the current Government program explicitly states the purpose of the reform: "The reform shall go through an open and all-inclusive process that will involve all the political factors in the country, the local communities, civil society and international partners. This reform shall be conceived and implemented in line with the best practices applied by the EU countries in this area. The reform in itself intends to enhance efficiency and quality of access to the local public services for the citizens, to increase financial means and resources for the local government units, improve the mechanisms of representative democracy and the strengthen the instruments of direct democracy. Further, it increases the capacities of public local government administration and strengthens community structures at the level of local government unit, neighbourhood and village."

The TAR was therefore thought as part of a holistic and realistic approach that needs to go beyond the mere result of drawing a new administrative map based on several criteria and considerations. The efficiency and capacity issues identified in a highly fragmented system will not disappear if regrouped differently. While a more consolidated administrative structure enables an improved environment for economies and strategies of scale and a larger available pool of human resources, a broader approach must be taken to make the system work efficiently and coherently by looking at the functionality of the new units, their roles and responsibilities, the nature and threshold of capacities in place, the suitability of financing mechanisms and resources as well as the institution of a participatory and accountability culture.
Hence, there is need to address local governance problems in a holistic manner where the administrative-territorial reform enables the environment for efficiency. With this understanding, the Government has embarked in parallel on the TAR, and soon after on a range of other related reforms, including the re-definition and finalization of the decentralization strategy and the revision of the current fiscal decentralization package and the inter-governmental transfer system, the former relying mainly on USAID country expertise and planned for completion within 2015.

The aim of undertaking such reforms simultaneously not only ensures their coherence and complementarities, but is also necessary to guarantee the early functionality of the entire local government system and avoid deficiencies and failures at a larger scale.

1.3 The TAR as a phased sequence from design to implementation

The final objective of the administrative territorial reform is to strengthen the efficiency of local administration, the quality and standards of service delivery and the equitable development of the territory by enabling greater human and financial resources, increasing local responsibilities and competencies and adopting a more transparent and participative decision-making.

On the other hand, the TAR is a highly sensitive reform that should be managed carefully and with full transparency throughout the process, from the considerations for re-drawing the new administrative map to its detailed implementation in each administrative area. This necessity is due to the fact that TAR directly impacts the business model and the nature of the responsibilities assumed by the local administration, the citizens’ access to and the way of delivery of public services. But more importantly, TAR leads to the rationalization of local public employment, creating inevitably redundancies, which in turn usually leads to resistance.

Negative effects or perceptions, resistance to change for different reasons as well as likely pressures to relax or disrupt provision of public services are well known, although the way to address them and identify likely solutions remains specific to the particular context. For instance, reformers would have to consider and propose measures to contain/mitigate possible and known negative effects of the reform, such as the more distant relocation of some public service providers, loss of identity of place and more importantly jobs.

Particular considerations should be given to the likely redundancy of local government staff after the consolidation process, a real concern for those currently with steady income in rural areas where most people depend on subsistence agriculture. Among other measures, probably plans for re-training local government staff, either in new more specialized LG positions or for the private sector should be part of early considerations.

With regard to the likely relocation of local services, consideration of possibilities of introducing sub-municipal governance entities, which would not have an independent budget, but would have formalized roles (e.g. for organizing the delivery of certain services) can be explored as per the experience of other countries with relatively sizeable LGUs. This might be a reasonable solution to retain some level of identity of and decision-making at former LGUs or even village level while creating greater economies of scale through larger municipalities.

Other important issues to be addressed relate to the smooth transfer of properties and liabilities from the amalgamating LGUs to the new larger continuing unit. These might include, in a non-exhaustive manner, measures related to technical and legal support to inventorying public properties, transferring of existing LGUs’ contracts and liabilities to the new units, the relocation of archives and civil records, adoption and basic rehabilitation of new LGUs’ premises, etc.

In this respect, the responsibility and commitment for embarking on the development of an administrative territorial reform does not culminate with the selection of an optimal, technically well-thought new administrative division - although this is a key result in the whole process - but with a well-organized and correct implementation of the new administrative model, the willingness to seek and find solutions to minimize the negative effects of the reform and the readiness to give new LGUs the due functional responsibilities and financial resources necessary to fulfil their new role. Proper attention during each of these stages of the process gives the maximum guarantee for the reform to achieve its purpose and to justify such a major institutional undertaking overall.

Consistent with this rationale, the administrative territorial reform goes through three main Phases:

(i) Administrative model design;
(ii) Transition and preparatory measures for the administrative amalgamation; and
(iii) Empowerment and capacity building of new LGUs (complemented by the decentralization and fiscal reforms and the necessary legal amendments to the relevant legislation)

The STAR project was designed as an immediate donor support to the efforts of the Albanian Government to initiate, develop and implement the administrative territorial reform with the necessary expertise and transparency and through extensive public consultations. Hence, the current STAR project is meant to provide support to the first two phases above.

The present STAR project document provides a thorough level of detail of the second Transition phase with the aim being to start outlining the actual amalgamation actions, advise the local administrations on the approach and the procedures to follow and anticipate initial support for the newly elected local officials who will enter in office after the 2015 elections. These preparatory measures and instructions should be developed in detail well in advance of the 2015 local elections.

The third Consolidation Phase will target the new LGUs and therefore unfold around late 2015 onwards, with the understanding that the TAR, the decentralization strategy and the fiscal decentralization review have advanced as planned and the legal framework is amended and developed accordingly. The focus of the third phase will be on the enhancement of good governance, human resources and institutional capacities, introduction and adoption of standards for public services, building skills for territorial development along with strengthening participatory decision-making and local administrations’ accountability towards their constituencies.

In a schematic presentation, the phased sequence will look like as follows:

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<tr>
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1.4 Criticality of political dialogue and consensus

Territorial and administrative reform is a political choice, as it aims at re-distributing power and competencies or creates the environment for enlarged responsibilities. However, such changes generate also winners and losers and therefore create frictions of interests that easily can be raised to political resistance. Many past experiences in other countries engaged in such territorial consolidation reforms have highlighted the critical necessity of attaining a certain degree of political consensus to ensure the legitimacy and further functionality of such reforms. By practice, it is evident that universal agreement is almost impossible, but a high level of consensus among the main political stakeholders is desirable and crucial.

Especially in the case of Albania, where political discord on many issues has a long legacy, it is critical for the Government to take the necessary steps, as lead executive of this particular reform process, to ensure its success. The dire necessity for political dialogue in Albania was also explicitly noted in the European Commission final Progress Report “Consolidating the political dialogue between the ruling majority and the opposition is needed to further strengthen parliament’s democratic functioning... It is important that cooperation between the government and the opposition functions well to provide a solid basis for further reforms.” (EU Progress Report 2013).
The need for such partisan dialogue around the basic tenets of territorial reform has been clearly articulated by main political leaders and analysts of Albania in earlier attempts of engagement or statements on this topic. Until very recently, both main Albanian political parties in power and opposition have publicly declared the necessity and urgency of undertaking a territorial consolidation reform, driven by a similar rationale of efficiency and economies of scale.

Such need for consensus was fully recognized and strongly expressed by the Government during the reform launching event hosted by the Minister of Local Issues with the support of OSCE on 17 October 2013. Since the initial steps, the Government has shown openness and welcomed support and advice around building broad political consensus. The reform process design itself included the establishment of an ad-hoc cross-party Parliamentary Commission to discuss and advise the reform approach and content.

The proposal for the establishment of the ad-hoc Parliamentary Commission on TAR in early January 2014 was an early sign of seeking political consensus. The Government has also made efforts outside formal forums, through lobbying, informal discussions, constructive public debates on various reform aspects and a showed a constant readiness to bring around the table and discuss issues with reform opponents.

Nevertheless, in spite of such efforts, political consensus between position and opposition sides has not been attained to date. With the approval of the law on new Administrative and Territorial division, the DP tried to hamper the process by sending a request to the Constitutional Court, which rejected it thus legitimising the constitutionality of the Law and process.

Although challenged by the Constitutional Court Decision on the new Administrative and Territorial law, the reform process is advancing and progressing through the transition stage, which is decisive to frame the model and draft the guidelines for the amalgamation of current LGUs into new fewer and larger ones.

1.5 TAR Time constraints

With the aim of finalizing the TAR on time so that the following local elections are organized around the new administrative model, the challenge becomes more ambitious as the next local elections are scheduled to take place around mid-2015. This is the deadline around which the Government is getting organized to complete the reform package so that local elections of 2015 are organized on the basis of the new territorial division.

If this deadline is missed, the next real opportunity will come only before the local elections of 2019, which by many is feared as probably too late. In this scenario, not only the existing inefficient and stagnating local administration will be left to last for four more years, but as the Swedish funded study notes: "it may already be too late in some respects ... for instance, EU accession negotiations are likely to be well under way by then, and national authorities will be under pressure to fill any gaps revealed in administrative capacity".
II. PROJECT RATIONALE AND STRATEGY

2.1 STAR Project strategy

The aim of the STAR project is to provide coherent support to the Minister of Local Issues for an effective implementation of the administrative-territorial reform process. The reform is not only a complex undertaking; it also requires considerable financial resources and extreme efficiency and expediency in delivering its outputs within a tight schedule against a political deadline, the next local elections. The MLI has also made known that despite its high commitment and the importance placed on this reform, the government has neither the organizational/administrative capacities nor the resources to conduct it alone.

The Minister of Local Issues has appealed for immediate international support and the establishment of a flexible financial and management mechanism to facilitate the mobilization of the necessary/temporary human resources and the logistics required for conducting the reform processes and maintain during the entire duration a high level and standard of public consultations. The donor response was in the form of a multi-source pool funding for providing operational and support services to the MLI, under UNDP Albania management and in accordance with UNDP’s rules and procedures for project management. Therefore, the present project is based on this arrangement and largely depends on international partners’ support and collaboration.

The identified key areas requiring support relate to mobilization and management of human resources, procurement of services for public consultations and public awareness products and events, of goods such as office supplies, equipment as well as various coordination and monitoring running costs.

It is necessary to note that the required support and project budget does not include any cost to be incurred by the Government for staff that needs to be released from regular duties to participate in the process. However, regardless of the funding source, the Government/Minister of Local Issues have an active and leading role in shaping the reform and coordinating assistance and expertise for developing the reform content.

At the political level, the Government and the international community note the importance of efforts aimed at seeking cross-partisan understanding and building alliances for the much needed territorial and administrative reform processes. This notwithstanding, the project facilitates support to the Government, as may be needed, for the purpose of building the necessary knowledge, evidence based policy making support for this political undertaking. The project at hand provides a solid basis for consultation processes with a view to informing the appropriate measures for mitigating the negative social, economic, and cultural impacts of this reform. The Project Board defined in Management Arrangements below reviews also the progress towards political dialogue and supports the Government’s efforts in this direction.

2.2 STAR support to the TAR process

The STAR support spans across the first two phases of TAR: (i) the new administrative design and decision-making, and (ii) the transition support for implementing the agreed changes. STAR support to these two phases is organized around five outputs:

Support to the Design Phase and decision-making

**Output 1** – MLI’s technical and institutional capacity developed to implement the reform
**Output 2** – Public consultations and consensus building facilitated
**Output 3** – Timely logistical inputs in all stages of the process secured

The above three outputs also contribute to the next phases

Support to the Transition / Implementation Phase

**Output 4** – Transition support for the implementation of TAR

And an overall **Output 5** - Integrated and quality financial management and coordination
2.2.1. Support to the Design Phase

The **Objective** of the Design Phase is the elaboration and adoption of a new local administrative division.

This new division should provide the framework for enabling the economies of scale in the management of the territory and the provision of qualified public services through strengthening and improving the functions, competencies and capacities of local governments. The new administrative division should, at the same time, take into account essential elements of social and cultural nature, tradition, history and geographical access, in addition to economic and statistical data to ensure the logic, feasibility and sustainability of this change.

The **Main Deliverable** of the Design Phase is, therefore, the adopted new local administrative division of the country.

In accordance with the roadmap prepared and presented by the MLI and the needs of the latter for human and financial resources support, STAR project activities began with supporting the establishment of the structures necessary for carrying out the reform process and the organization of a comprehensive and intensive campaign of public consultations for building consensus on the need to reform as well as on the reform elements.

**Establishment of a Technical Secretariat at the MLI**

The Technical Secretariat is a dedicated unit tasked to help the MLI coordination of the reform process. The Advisor to the Minister of State for Local Issues chairs the Technical Secretariat. The Technical Secretariat has been established since 10 December 2013, and composed of five national professionals and support staff, including a PR expert.

**Mobilization of the Team of Experts for the TAR design**

This is the necessary pool of international and national experts from various relevant fields, possessing respectable experience and knowledge on the subject matters of territorial reform, legislation, and fiscal constructs, social and economic fields to name a few important specializations. This group is responsible for the development of the methodological, analytical and the actual content of reform and the associated legislative packages.

A pool of international and national experts was mobilized since late 2013 to carry out the necessary socio-economic assessment and elaborate and recommend the criteria for the new administrative division. Subsequently, STAR project made available its resources to expand and sustain the necessary expertise from February 2014 onwards.

**Mobilization of a pool of Regional Coordinators**

As part of the roadmap, regional coordinators would be the MLI liaison with the field and serve for the facilitation of public consultations, supporting the work of the Prefects as head of Regional Commissions, gathering community views and building consensus for the reform as well as ensuring bi-directional communication and feedback between central level officials and the local authorities and affected communities. Thirteen regional coordinators have been brought on board since February 2014 within the STAR project framework.

**Additional institutional setting supporting the TAR (outside STAR)**

In order to oversee and guide the TAR advancement as well as promote political consensus, the Parliament decided to establish an **ad-hoc Parliamentary Commission on TAR** in January 26, 2014. The proposed Commission consisted of an equal political membership of eight MPs from the position and opposition groups and with a right to veto for the opposition.

The MLI aimed to seek the validation of reform criteria by the Parliamentary Commission prior to continue working on elaborating the new administrative options. However, for lack of political consensus the opposition did not nominate its members and thus the Commission lacked its quorum and did not convene until end April 2014; the membership of the Commission was then amended to create a majority and satisfy the quorum requirement allowing the Commission to function since.

In parallel, through the Prime Minister’s decision no. 36 of 5 February 2014, a **National Working Group on TAR** has been established, with membership from relevant central institutions and line ministries, LGU associations, think tanks and international organizations. 12 (twelve) **Regional Working Groups on TAR** were also established, as per the same government order, led by respective prefects and comprising representatives of LGUs and regional branches of central government institutions. STAR regional coordinators work closely with and support the activities of the respective regional working groups.
Public Consultations and Consensus Building

The reform process pays special importance to political consensus building and wide public consultations. This approach is based on the understanding that stakeholders should be involved as early in the process as possible in order to avoid resistance later and at the same time promote practical and realistic solutions.

Public consultations are at the heart of the process. Indeed, a formal process of public consultations is required both by national legislation and by the European Charter of Local Governments. Experience of many countries that have been engaged in territorial consolidation previously indicates that government initiatives are more sustainable when they are based on broad based consultations and participatory processes. Furthermore, a reform could be successful only if authorities have a clear picture regarding the needs of the community at the grass roots levels. However, it is also understood that the result of such consultations does not need to be absolutely binding for the central government nor the Parliament, but its result should be taken into serious consideration in the finalization of the reform.

Public awareness about TAR has in practice started with the public launch of the reform during the National Conference on 17 October 2013. Since, TAR discussions have been constantly featured in the media, talk shows, technical and political debates. Public consultation and consensus building are also cornerstones and core activities supported by STAR project.

Upon MLI request, a dedicated PR/media expert was hired since February 2014, to help develop a communication strategy to enable a structured organization of public awareness activities and actions. A dedicated webpage on TAR www.reformatteritoriale.al includes a functional Facebook account link https://www.facebook.com/reformatteritoriale to provide and share information on the reform process in real time.

Since early 2014, the MLI with STAR support, engaged in consultations with various central and local institutions, civil society and private sector to present and consult the proposed criteria for the TAR.

A regional consultation tour was initiated by the Minister of State for Local Issues in March 2014 to present the reform principles and criteria and listen to people’s opinion in all the regions of Albania. The tour covered all Albanian regions and interacted with over a thousand stakeholders, representing local and regional government and institutions, civil society organizations and ordinary citizens.

As the process approached the development of draft territorial consolidation options in May 2014, with the aim of increasing the outreach as well as broadening the participation and consequently the basis for feedback/inputs, a more direct engagement of civil society in the public consultation processes is being supported by STAR in parallel to the realization of a nationwide survey aiming to target about 16,000 interviewees.

In addition to the above structured consultations, the MLI envisages to engage in direct dialogue with local administrations and stakeholders during June-July 2014 to discuss the proposed two options that are qualified for consideration, identify local concerns and gather views on improving the final administrative map that will be submitted to the Parliament for approval by end July 2014.

Provision of operational and logistical inputs

The STAR project also ensures the necessary organizational and operational support to the different activities undertaken in the framework of TAR design, in accordance with UNDP’s National Implementation Modality and upon formal request from the MLI/his delegate.

In this respect, STAR ensures timely mobilization and provision of human resources, meeting various activities’ costs, providing of mobility and office equipment costs as well as the overall project and financial management of donors’ funds allocated to STAR, in accordance with UNDP’s rules and procedures.

2.2.2. Support to the Transition / Implementation Phase

It is important to be realistic about the fact that territorial reform is not just a re-drawing of the administrative map where the technical opinion meets the political decision. Probably a more important stage than the technical and legal design of the reform itself is that of preparing the conditions for a smooth implementation of this major initiative in practice.

The Objectives of the Transition Phase will be twofold:
- first, to examine the current situation of each LGU in order to identify modalities to follow and problems to be solved for their merger around the new LGUs, and
- secondly, to prepare the ground and packing the necessary information and assistance for the new local decision-makers and LGUs’ heads/mayors to rapidly adapt and act on setting up the new LGUs’ with efficiency and minimal disruption.

The proposed **Main Deliverables** of STAR project related to this Transition / Implementation Phase are the following:

1. Assessment and situational analysis of the financial, legal, human resources and assets of the two pilot local government units
2. A manual of procedures for the sequence and modalities of amalgamation developed and provided to the new LGUs’ elected officials
3. Assessment and situational analysis of the financial, legal, human resources and assets of the remaining local government units
4. A minimum standard for the new LGU institutional/organizational structure developed and provided
5. Socio-economic and developmental profiles for the new LGUs developed and made ready for the newly elected local officials
6. A review and proposal to address the entitlements and if possible job re-insertion of public servant made redundant by the reform
7. The borders definition of the new 61 Local Government Units
8. Piloting of one stop shop model as an example of service provision
9. An overall costing of the amalgamation exercise for consideration by the new LGUs

The LGUs merger will involve some complex issues and demands meticulous and careful planning to ensure that service delivery standards are maintained during the process, that the transition is carried out without major disruptions in social, financial, and operational terms, and that the involved and impacted employees are treated in a fair and equitable manner.

Other countries’ experiences show that complaints about service delivery usually increase during a merger process. Experience also shows that service delivery is also easily impacted if due care is not taken on time. Therefore, besides any technical considerations during the reform implementation, an effective communication strategy will be necessary to address and manage such concerns.

Also, the mergers will not be achieved without incurring some significant and contingent costs which need to be identified as part of the planning stage. It is important to identify and quantify these costs as soon and as accurately as possible throughout the planning stage in order to avoid the development of situations that counter the purpose and goal of the reform.

The merger is also expected to produce cost savings in a number of areas and steps should be taken to identify and expedite such cost saving measures as soon as possible. Therefore, effective planning and communication is essential if the merger is to be actually implemented as intended with the minimum delays and disruption that would create unforeseen problems in the establishment and operations of the new LGUs.

Given that the newly elected local governors will enter office around the month of September 2016, they will have limited time to undertake the necessary and immediate organizational measures for structuring the new units, address the issues of human resources in terms of employment, fresh recruitments and redundancies as well as elaborate their plans and budgets for 2016, among other tasks.

In consideration of the above developments, the context and the broad spectrum of impact of the administrative territorial reform, the STAR project identifies the following necessary measures for the preparatory / transition period, which are focused on the following directions:

1. Amalgamation model design through piloting in two LGUs
2. Inventorying /due diligence of the current situation of existing LGUs
3. Transition / Preparation for the actual LGUS amalgamation
4. Amalgamating of the LGUs

in addition to a series of important measures to guarantee the transparency, public information and support for this reform.
1. Amalgamation model design through piloting in two LGUs

Territorial reform is one of the most important reforms undertaken by the current government. Besides being important, it is also a complex one, which operates in a completely new and previously unexplored environment. In this context, development of the amalgamation modalities basing on piloting is necessary and advisable. Part of the pilot would be:

1.1. Selection of the pilot LGUs
It would be the responsibility of the MSLI, as the leading partner, to select the LGUs where piloting will be exercised. The selection would reflect the more frequent typologies of LGUs – rural and a combination of urban and rural areas.

1.2. Assessment/inventory of piloting LGUs situation
In accordance with the proposed option for the new administrative map, the number of future LGUs will be 61 from 373 currently. Such an administrative consolidation represents a merger of an average of every 8-9 current LGUs into a new one. Despite the fact that the new LGUs are thought to maintain the geographical presence of former smaller LGUs through the appointment of administrators and setting and maintaining service delivery offices in these locations (a proposition suggested by both the drafters of the administrative territorial and the decentralization reform), the new LGUs will take full responsibility for the management of human, capital and financial resources within their territories.

In this regard, it is necessary to undertake better earlier than later a comprehensive audit / investigation and inventory of the current state of affairs of each current LGU in order to have a clear picture of the operations of the amalgamating local governments and the problems that must be addressed as a whole as well as shaping the specifics pertaining to each new LGU.

The inventory exercise should include, but not limited to, the following aspects:

- The financial position of the affected local governments;
- The value and condition of assets;
- The state-of-the-art of the business systems (such as IT situation and policy, archives and records, warehouses and depots, waste management arrangements, etc.);
- The list of legal proceedings in progress and any potential legal actions;
- The state-of-the-art of contracts, leases, agreements and commitments in place;
- The staffing situation, their qualifications and contractual arrangements;
- The existing development policies and plans in place and their likely follow up, and
- Any other relevant or contentious issues.

1.3. Development of merging guidelines and templates for data book entry to be replicated in the remaining LGUs

Merging groups will take the lead during transition phase in assessment/inventory of the 58 remaining LGUs. The developed templates as part of this activity will assure unified and coherent assessment process among the groups and all over the country. On the other hand, the context is such that the newly elected local officials will most probably take seats around September 2015. The new LGU’s range of immediate organizational, consolidation and future planning tasks ahead would be stacking and intermingled towards the end of 2015, when the LGUs are also required to prepare their plans and budgets for the fiscal year 2016. In this context, STAR project will provide assistance in the development of a standard merger implementation plan or Merger Manual containing structured instructions to the new LGUs on the processes to follow. The elaborated construct of the guideline manual will follow a set of clear administrative, operational and legal procedures and instructions.

1.4. Capacity building of the groups dealing with amalgamation

2. Assessment / Inventory of remaining LGUs situation

The importance of this exercise cannot be sufficiently emphasized, however, this is the first building block for establishing an adequate merger process, ensuring that any potential risk exposure is minimized and/or taken into account. It is also important to have an accurate snapshot of the situation in order to be able to track the preservation and maintenance of public assets and resources during the transition time, especially
in view of the understanding that most of the current LGUs will not continue after the elections. In this respect, the current local government officials are retained responsible for the reasonable use and the usual worn and torn status of the assets they manage until they are transferred to the new LGUs.

This is a massive, expensive and all-inclusive process, yet necessary to pave the way for the development of merger implementation plans and integration of former LGUs into the new ones effectively and efficiently.

The responsibility for facilitating access to carry out the investigation / inventorying exercise rests with MSLI, which should ensure the readiness and cooperation of LGUs in place and make this exercise an obligation towards the preparatory measures for the implementation of the reform. The STAR project can ensure the qualified services to support a structured approach to this exercise across the 373 LGUs.

The MSLI and its Technical Secretariat envisage carrying out this process through the merging groups established for each newly LGUs, 61 in total.

3. Preparation for the actual LGUS amalgamation

This phase will have to pay due and timely attention to several concerns related to: (1) the standardization and establishment of a new organizational structure for the new LGUs, (2) the review and application of an efficient and fair human resources policy, (3) unification of potentially different existing business systems, (4) integration of the financial systems into a single one, (5) addressing the likely legal issues and (5) establishing an adequate communication strategy along the process to inform and keep the public aware about the goals, directions, purpose of activities and final desired results.

3.1. Standardization and establishment of a new organisational structure for the new LGU

The review of the organizational structure of each of the LGUs that will convert into new larger ones is critical because the new units will have to reflect a new business model that takes into account the size and diversity of the territory, the new challenges in an urban-rural continuum, the different possibilities of spatial and developmental integration, but also in view of integration and potentially increasing local finances, that need to be used with more ability, efficiency and responsibility. A well elaborated organizational structure is also necessary for facilitating and expediting the likely need for filling of positions in the new LGU.

On the other hand, the existing structures of the amalgamating local governments may have different approaches to service delivery. There will also be sensitivities about the differences in work practices and policies of the amalgamating organizations and it is important to address these quickly.

The new local government will need to re-establish its own customer service culture that now will expand to cover a new and larger territory. The real challenge will come when the new local governments begins to operate as a single entity, as the community has the expectation that services will be delivered with a higher standard, which is probably an unfair expectation in the very early stages of the merger, but should become feasible over time.

Developing an appropriate organizational structure can be a time consuming exercise and the approach may differ for different local governments. However, given that the present TAR establishes homogeneous LGUs in terms of size, population and territory, the development of a minimum standard organizational structure for the new LGUs is highly relevant, especially if there is an agreed position on the standards and levels of service delivery and the business model most capable of delivering these services. It becomes more important to develop such a model as the new LGUs will maintain the presence in the former LGUs' locations by establishing service offices, appointing delegated administrators as well as empowering the role of the village heads.

An external expert assistance in developing a suitable standard organizational construct will also avoid any conflict of interest, perception or bias towards the shaping of such structure to the benefits of the continuing local government setting and interests alone. STAR project assistance will support the delivery of this element.

3.2 Application of an efficient and fair human resources policy

The merging of several local governments to form a new entity is a complex task and will be a new experience for many local government employees. They will inevitably experience challenges, motivation and frustration, depending on their former positions and the uncertainty of their roles in a future institutional setting. This situation calls for a careful change management from those made responsible for realizing the merger. In order to ensure local support and ease the merger activities, the change process itself should pay due attention to open communication with the local stakeholders and the affected categories as well as work, also in collaboration with other institutions, in developing alternative solutions to mitigate the likely negative impacts of the reform.
As redundancies will be unavoidable (one of the outcomes of the administrative territorial reform is the consolidation and enhancement of local human resources), there is a need to have alternative solutions at the LGU level, but also approaching it from a national policy level if feasible. On the other hand, in accordance with the employment legislation in place, the contingent costs of abolishing job positions, that is separation and severance compensations, should be accurately identified and considered within the new LGUs budgets.

STAR project will contribute to reviewing the likely impact and identify ways and options to address this matter with the aim of mitigating to the extent possible the negative social and economic effects of the change.

3.3 Unification of potentially different existing business systems

It is almost certain that the applicable business systems of the amalgamating local governments are different and their unification / integration is an absolute necessity for reasons of coherence, efficiency and potential cost savings. During this exercise, it is important to take the necessary measures and safeguards to avoid the loss of vital administrative data, to efficiently arrange or adopt new systems of communication, monitoring, data collection and retention, record keeping, asset management and maintenance and so on.

In this respect, every new LGU will have to closely examine a range of operating systems and organizational arrangements as well as their integration, including, but not limited to the following ones:

- Information Technology Systems
- Communication Systems
- Records System
- Asset Management Systems
- Other administrative and/or economic activities involving former LGUs’ structures / resources

Information Technology Systems

A key consideration for the new LGU will be to identify appropriate, effective and affordable IT solutions. The review of IT systems will seek to identify the most cost effective means of integrating IT systems and data; and determine how the IT resources of the amalgamating entities can be used most effectively.

The identification of all hardware, software, and IT infrastructure currently in use, of software licenses, IT agreements and contracts, of existing IT policies, procedures as well as of staff IT skills are assumed to have taken place during the Assessment / Inventorying phase. These findings will be used to take an informed decision on the establishment of a unique IT system for the new LGU and evaluate the contingent costs of reaching the desired level of integration and the necessary qualified staff structure to operate it.

In the same way, all existing contracts for the provision and support of hardware and software, IT services and maintenance should have been identified and examined to determine the changes to be brought in to honour the above contracts’ terms and conditions after the merger takes effect.

Communication Systems

Telephone systems and contracts should also be reviewed with the aim to rationalize and integrate existing resources and systems. A review of the adequacy of the existing telephone systems will need to be undertaken for determining if existing systems can be expanded to accommodate additional staff across multiple sites (administrators and peripheral service offices).

In addition to the need to integrate the telephone systems to link the various physical locations, opportunities for cost savings on communications through a review of all telecommunication contracts or arrangements should be undertaken to determine the most efficient options to go for immediately.

Records System

A new system for the likely relocation and storage, but more importantly for the management, classification and retrieval of the various records, databases, archives and registers of the amalgamating LGUs will need to be put in place and integrated for use by the continuing LGU authority.

Efforts should be made to ensure that these records are appropriately preserved and the provision of services related to such records is minimally disrupted.
While the integration may not be feasible at once, a well thought plan for the consolidation into a single system does not preclude the interim management of the existing records systems, provided that they are properly acknowledged, maintained and operated as the integration process advances.

**Asset Management Systems**

All assets and stock inventory will also need to be consolidated into a single system. It is likely that each local government will have differing approaches in asset classes and use different methods which will need to be standardized.

As part of the physical assets, some of the amalgamating local governments are likely to have storehouses, depots for raw material or equipment used for the delivery of various public services. Part of the merger implementation planning will involve determining the new local government’s needs with regard to work assets and their base. This is a significant task and consideration of how services will be delivered and equipment deployed should be undertaken with the aim of producing some practicable savings as a result of harmonization of storages.

Another consideration will need to be given to the physical offices in all former amalgamating LGUs as well as the updated space requirements for different old and new functions that will be required for the new LGU to operate. With the determination of a new organizational structure the new LGU will be in a better position to determine its physical premises requirements. Likely costs associated with accommodating any additional staff and service delivery arrangements should be identified in the implementation plan.

The same implementation plan should foresee the required facilities and offices located in the old LGUs as well as find economically viable solutions for the extra space/facilities in the closing LGUs.

**Other administrative and/or economic activities involving former LGUs’ structures / resources**

Various LGUs have nowadays their own local development plans, often formulated with international assistance or through local expertise. Although the use of these plans for investment and budgeting purposes largely differs across LGUs for reasons ranging from sustainability deficiencies, lack of capacities, resources or formalization, for some LGUs these documents represent a certain reference for planning purposes or project applications.

Inter-municipal cooperation agreements are also in place among a number of LGUs and these arrangements are also based on certain business cases and economic planning. Such agreement may govern the operations and management of various administrative / economic activities such waste management, water supply networks, and other joint public service delivery systems. This is in addition to likely operating municipal public enterprises or outsources service arrangements made by former amalgamating LGUs.

This wealth of development and organizational tools should not be neglected. However, it should be recognized that the depth of the current administrative territorial reform is about to dramatically change the planning scale, calling for a larger integrated territorial approach covering the new LGU jurisdiction and possibly its relations with the neighbouring ones. In this context, STAR project will support the border definition of the new LGUs, an exercise that intends to ensure recognition of the territory under the administration, better territorial planning and avoidance of any disputes resulting from not clear boundaries.

The new LGUs will need to think bigger and in more efficient ways, however, without losing the detail of ensuring the service reaches to the single citizens. The level and quality of service delivery should be maintained in times of change and as difficult as this challenge is, it is essential to make efforts to preserve this level. In this respect, STAR will provide support in piloting One Stop Shop model as an exercise of efficient and effective service provision in at least two pilot LGUs, thus paving the ground for future interventions when necessary funds are available.

On the other hand, the context is such that the newly elected local officials will most probably take seats around September 2015. The new LGU’s range of immediate organizational, consolidation and future planning tasks ahead would be stacking and intermingled towards the end of 2015, when the LGUs are also required to prepare their plans and budgets for the fiscal year 2016.

In addition, STAR anticipates the need to support development of specific organizational plans for each of the new LGUs, based on the collected information on their assets, resources and overall situations, the analysis contained in the existing local development plans and other documents relevant to the new administrative territories. This documentation will prove its value if completed in the first half of 2015 and made available to the new LGUs’ leaders when they take office in September 2015.
Upon establishment of the new LGUs towards the second half of 2015, STAR will provide relevant training on the merger procedures along the considerations made earlier and the instructions developed in the above documents.

3.4 Integration of the financial systems into a single one

The integration of financial systems will be of critical priority and will require careful handling along a predetermined time schedule under the close oversight of the Ministry of Finance / Treasury department.

As the new LGU administrative structure will enter into force in the second half of the 2015 fiscal year, the Ministry of Finance should determine in advance the spending rate and regime of the former LGUs and the likely cut-off date after which remaining budgets and expenditures will be transferred and managed by the new LGUs.

In preparing for the integration of different financial systems into a single one, particular attention will need to be paid for reviewing and considering the following non-exclusive potential issues:

- Adoption of a standard and unified chart of accounts;
- Consolidation of applicable local taxes;
- Harmonization of revenue sources;
- Harmonization of applicable service fees and charges;
- Consolidation of debts and possible local borrowing;

This financial management aspect will have to follow the national accounting practices as well as the relevant rules and procedures issued by the Ministry of Finance. STAR project assistance can be provided within this framework if deemed necessary and made explicit.

3.5 Addressing the legal issues

The amalgamation requires also a thorough assessment of the legal aspects and arrangements in place of each amalgamating LGUs in order to identify additional transferable responsibilities and obligations as well as their associated costs to the new LGUs.

As part of the legal assessment, a full examination should be carried out of all amalgamating LGUs' contracts, inclusive of works, goods, services and employment ones. This assessment is indeed one of the main tasks of the Assessment / Inventorying phase described earlier, and it will require a further update when the merger takes place actually. The thorough review of the contracts’ situation ensures that the new LGU has identified its legal obligations and any other issues of significance contained in contracts that could impact the future operations.

During the merger process, efforts should be made to ensure that capital works projects in progress continue in line with contractual arrangements. Also, contractors engaged on a fee-for-service basis should continue to provide such services without disruption, until the new LGU may come to conclusion that a more efficient form or scale of service would be adopted as a result of the merger.

Where the amalgamating LGUs have legal proceedings in progress, either against or initiated by any LGU itself, the responsibility for these actions will vest with the new LGU. In principle, as the process completes, obligations or responsibilities of the former LGUs will become the obligations and responsibilities of the new LGU.

In summarizing the above described process, the main TAR milestones and the related outputs/activities are the following:

<table>
<thead>
<tr>
<th>Design Phase</th>
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<tbody>
<tr>
<td>1. Engagement of experts / support teams and appointment of representatives in the ad-hoc structures</td>
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<tr>
<td>- Establish and support a functioning Technical Secretariat for the reform</td>
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<tr>
<td>- Mobilize the Team of Experts for the reform design</td>
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<tr>
<td>- Assist the ad-hoc Parliamentary Committee on TAR</td>
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<tr>
<td>- Define the National Working Group on the Territorial Reform (NWGTR) and the Regional Committees (RCs) composition and official appointment by Government decision (outside STAR)</td>
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<tr>
<td>- Identify and select Reform's Regional Coordinators (RCs)</td>
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<tr>
<td>2. Review and analyse all socio-economic aspects of the current LG situation</td>
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<tr>
<td>3. Elaborate TAR applicable criteria and seek their approval</td>
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<tr>
<td>4. Develop the TAR options based on the above criteria</td>
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<tr>
<td>5. Organization of structured public consultations on TAR</td>
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<tr>
<td>6. TAR package adopted by Parliament</td>
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**Pilot Phase**

| 7. Amalgamation model design through piloting |  • Select the pilot municipalities  • Undertake financial, legal, institutional assessment of pilot municipalities  • Develop guidelines for mergers and elaborate it in the form of a manual of procedures for the new LGUs  • Development of data book entry templates for ensuring coherent assessment of the remaining LGUs  • Establishment of 61 merging groups, one per each new LGU going to deal with assessment of 59 remaining LGUs  • Establishment of 12 groups at regional/prefecture level in support of the merging groups  • Training of trainers for 30 representatives from established working groups |

**Preparatory Phase**

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<tr>
<th>8. Drafting /adopting of necessary sublegal acts reflecting the recommendations provided</th>
<th>• Draft the legal framework pertaining to the form of election, re-organization, and functioning of the new local government units (LGUs) and the fiscal arrangements to respond to the new setting (in concurrence with the new decentralization and fiscal strategy)  • Preparation of transitional support measures necessary for ensuring the immediate functionality of new LGUs and preservation of institutional memory, data, and property.</th>
</tr>
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<tbody>
<tr>
<td>9. Development of profiles of new LGUs</td>
<td>• Conduct desk review of all available and relevant strategic and economic development plans of existing LGUs  • Provide assistance in formulating technical/developmental profiles of new LGUs taking into account the resources of the new enlarged urban-rural mix, the existing national and local development plans and the competencies and authority of the new LGUs</td>
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</table>
10. Border definition of new LGUs
   - Provide assistance in defining in the terrain of the borders of new LGUs

11. One stop shop model
   - Provide assistance in implementing in at least two LGUs the one stop shop model as an exercise for efficient and effective service provision

12. Assess the impact of TAR on women and their representation at local level
   - Conduct a thorough assessment of the representation situation of women at local level and the effect of the territorial and administrative reform on the women presentation at local level.

**LOCAL ELECTIONS**

13. Overall situational assessment of former LGUs
   - Training of members of 61 established groups
   - Undertake the financial, legal and institutional assessment of existing 373 LGUs
   - Compile the respective reports and inventories
   - Identify key contextual issues to address during amalgamation in each new LGU

14. Assist the new LGUs to initiate and implement the mergers
   - Introducing to new LGUs the Merger Manual and the development profiles
   - Provision of initial expertise / assistance to initiate the amalgamation

15. Develop a standard LGU structure
   - In accordance with the new LGU features and responsibilities, develop the model and minimum standards for the LGU organization, including resourcing and functionality of service offices located in the former LGU offices

**Consolidation Phase of the new LGU system through capacity and institutional building**

### 2.3. Midterm review of reform process

Although the reform process includes an intense series of activities within a tight time schedule and will develop its substance through the contribution of many stakeholders, it is necessary to step back at a given time and make a thorough review of where the reform is heading to and whether it still remains realistic and feasible.

For this purpose, in accordance with the progress of the main components of the reform, the Minister of Local Issues envisages the organization of a stocktaking meeting / retreat to review the advancement of the process, the results achieved, the likely identified difficulties / problems as well as next steps to take and draw interim conclusions for moving forward.

### 2.4. Coordination among various on-going reforms

The administrative territorial reform requires a dynamic inter-institutional coordination and contribution of various relevant line ministries and central government agencies for two main purposes:

First, activities of many central institutions relate to the territory (agriculture, education, health & welfare, environment, finance, etc.) and therefore matter a lot to the local level. Second, several other sector reforms and legislation (reforms on public administration, social services, etc.) are under development and require harmonization. In this respect, the administrative territorial reform should take shape in full consideration of other policy changes and mutually interact with existing and future relevant sectors developments. The NWGTR is an ideal forum for such coordination with the condition that membership / appointments include active representatives dealing with reforms in the respective institutions. Furthermore, as most ministries have territorial units across the country, these branches should be part of the consultations and coordination at the regional / gark level within the RCs.

### 2.5. Functional description of key reform stakeholders
In terms of participation, a structured involvement of stakeholders organized and constituting decision-making, technical, and consultative bodies will be put in place at both national and sub-national levels. These structures will closely interact throughout the process and provide decision-makers at all levels with critical information and inputs required for decision-making.

The following ad-hoc and institutional bodies and arrangement are or will be put in place and engaged:

(a) Decision making stakeholders
- Parliament – as the key decision maker and approver of the reform package
- Government of Albania, different relevant ministries and institutions
- Political parties, including those representing the opposition
- Minister of Local Issues, specifically as the Minister responsible for the reform

(b) Consultative stakeholders
- Ad-hoc Parliamentary Commission dealing with the reform progress
- Regional Committees (RCs) chaired by Prefects and comprised of representatives from both levels of local governments
- International development partners through the Sector Working Group

(c) Technical stakeholders
- The Advisor to the Minister of State for Local Issues acting as National Technical Coordinator for Administrative-Territorial Reform
- Technical Secretariat established at the Ministry of Local Issues to provide coordination and support to the process
- Experts or Teams of Experts to work on and elaborate various reform processes
- Regional Technical Coordinators (RTCs) covering all 12 qarks of Albania and tasked to facilitate the public consultation process in close coordination with the MLI, its Technical Secretariat, the Regional Committees and the reform experts.
Here follows a short description of (b) and (c) and their main tasks/contribution to process:

**National Working Group on Territorial Reform - NWGTR**

The NWGTR is a broad consultative body for the MLI at the central level bringing other institutional perspectives and recommendations in the shaping of the reform and helping ensuring coherence of the process content with other on-going reforms in the country. The composition of the NWGTR includes representatives from the following institutions:

- Representatives from a broad political spectrum and thus including lead opposition parties
- Representatives from relevant line ministries / central institutions
- Representatives of local government associations (to ensure inputs from stakeholders knowledgeable of the local conditions and needs and secure additional support to the reform process).
- Representatives from relevant civil society organizations, including women’s organizations
- Representatives from the private sector/business associations
- Key international development partner representatives active in the area of local governance and decentralization at expert level and policy level reflecting the Sector Working Group
- The Minister of Local Issues (as the institution responsible for the development of the reform)
- International and local experts contributing to the reform

The NWGTR serves:

- To establish a forum for discussions among key central level stakeholders on the territorial reform.
- To ensure support and consensus in the reform process by involving those key stakeholders.
- To ensure the co-ordination of the territorial reform with other key reforms (including public administration, territorial planning, social care etc.)
- To advice the government about specific topics related to the reform and its process
- To discuss on concrete proposals related to criteria, new legislation, financial support measures etc.
- To provide general information and generate public debate about the territorial reform.

The National Working Group on the TAR, with a membership from relevant central institutions and line ministries, LGU associations, think tanks and international organizations, has been established through the Prime Minister’s decision no. 36 of 5 February 2014.

Regional Committee(s) - RCS

Regional Committees mirror at a certain extent at regional level the NWGTR and ensure the consultation and local perspectives and views on the reform. Similarly to the NWGTR, RCSs serve:

- To establish a forum for discussions among key local stakeholders on the territorial reform.
- To ensure support and consensus in the reform process by involving those key stakeholders.
- To advice the government about specific topics related to the reform and its process
- To discuss and based on the law criteria propose to the Parliamentary Ad-Hoc Commission options of new LGUs per each Qarks etc.
- To provide general information and generate public debate about the territorial reform.

Twelve Regional Working Groups on TAR are established, as per the same government order, led by respective prefects and comprising representatives of LGUs and regional branches of central government institutions.

Technical Secretariat

The Technical Secretariat, as a dedicated unit within the MLI is tasked to manage the work and coordination of the reform experts and the Regional Coordinators as well as channel and integrate feedback received from consultative bodies and instructions from MLI.

Given the thinly staffed MLI, an ad-hoc Technical Secretariat is established through STAR support, to enhance MLI’s coordination and management tasks for the entire process. The Technical Secretariat has a staff of four people based in Tirana and responsible for the following tasks:

Team Leader for Regional Coordination / Transition Phase Coordinator – During the Design Phase, the Team Leader will be mainly in charge of oversight of the work in the regions, the organization and coordination of Regional Coordinators, the complementarities and mutual support between regional coordinators and the Regional Consultative Committees and the Prefects, and the monitoring of the performance and results achieved from this important level of direct communication with affected stakeholders. During the Transition Phase, he/she will provide overall coordination of the experts/teams working in the field on behalf of the MLI.

Reform Advisor – providing substantial support to different bodies and experts in carrying out their duties and playing a dedicated advisory role on the reform to the Minister of Local Issues

Project Specialist – in charge of coordination and timely mobilization of various resources/inputs to the project keeping close contacts with different actors of the process and referring such needs and issues to the Minister.
Public Information Specialist - to develop and monitor the implementation of the TAR Communication Strategy, coordinate public relations and social media and activities.

The main functions of the Technical Secretariat are:
- Coordinate efforts of all concerned institutions for the most efficient and prompt results;
- Organize and facilitate the preparation of working groups' meetings (experts, legislators, advisory and regional committees, etc.);
- Assist in drafting necessary conceptual documents and disseminating them to the institutions concerned;
- Disseminate relative documents and information public directly or through the regional coordinators in order to trigger public dialogue and encourage wider feedback;
- Provide organizational, technical, informational and expert service to the Minister of Local Issues and the working groups;
- Ensure PR and awareness on the reform by supporting the organization and holding of public meetings, conferences and seminars;
- Help monitoring the reform process and prepare required reports on the course of the reform to the Minister of Local Issues and other bodies;

Amalgamation team

With exceeding of the reform process to the transition stage, necessary to prepare the ground, the model and the guidelines for the amalgamation of current LGUs into new fewer and larger ones, needs will emerge for additional local expertise that will be necessary to define the concrete steps to be taken, the specializations required, the organization of working team(s) and the approach and the deployment in the field, i.e. the development of the implementation of the reform. Such expertise will be added to the TS transforming it into the Amalgamation Team, which will continue to function under the supervision and guidance of the Minister of State for Local Issues.

Experts Group for the TAR design

The need for skilled technical assistance in drafting the reform is essential as it is necessary to study the problem from many aspects and considerations as well as draw from and adapt to the context the positive experiences and models followed by other countries.

Thus, the development of the reform will require specialized expertise to be able to substantiate the reform rationale and outcomes. Such diverse and complementary expertise will be required to carry out the necessary socio-economic research and analysis, determine the criteria on which the reform should be built, simulate and produce different viable solutions/options as well as help in identifying approaches for an optimized and efficient implementation of changes.

The required expertise during the Design Phase should:
- Carry out required reviews of existing country and international relevant studies and findings on the necessity and approaches for an administrative territorial reform and validate relevant recommendations;
- Review of available data and information as well as identify the necessity for further review/analysis and additional data in function of creating an informed recommendation and approach on the administrative-territorial reform;
- Develop methodologies and criteria to be applied for the proposed administrative and territorial reform of first and second levels of local governments in Albania;
- Elaborate concept papers, guidelines, policy documents to be reviewed and discussed at various consultative level and gather feedback for further refining these documents;
- Develop training packages and instructions for the regional coordinators as well as guidelines for structured public consultations;
- Provide analysis and advice to the Minister of Local Issues on the reform content and process;
- Monitor closely developments and outcomes of public consultations and communication with stakeholders and develop iterative policy documents reflecting the received feedback;
- Review and assess cost/benefits of various proposed/identified options;
- Ensure synergies and harmonization with other existing and ongoing sector/cross-sector strategies and policies affecting the administrative and territorial reform;
- Engage in consultations and policy discussions with various reform stakeholders, especially the ad-hoc parliamentary commission, the working group and regional consultative committees, other
central and local government bodies and institutions to exchange opinions, share progress and recommendations and build consensus throughout the process.

Another set of expertise will be required for the Transition Phase to carry out, inter alia, the following tasks:

- Evaluate the overall position of the current LGUs and the requirements / issues to be addressed in a given sequence for carrying out the actual amalgamations
- Develop, based on the selected option of new administrative division and the likely increased competencies and role of new LGUs, the most efficient organizational setting and indicating the minimum standards to meet.
- Identify and assess the likely negative impact of the reform on local democracy and access to services as well as measures to mitigate such impact
- Identify the likely level of human resources downsizing and related solutions to mitigate such social and economic impact
- Elaborate developmental profiles of new LGUs through an overall assessment of the economic resources of the newly delimited administrative territories and the harmonization of likely former local development plans
- Assess new LGUs’ capacities to cope with proposed changes, costs and means of addressing capacity gaps as well as necessary changes in the legislation to make the reform functional

**Regional Technical Coordinators**

In each Albanian region a regional coordinator has been identified and hired since February 2014. The main task of regional coordinators during the present Design Phase is to facilitate public consultations with local stakeholders and communities through reaching the broad public in the territory, explaining the reform purpose and process, gathering community views and seeking consensus for the reform.

<table>
<thead>
<tr>
<th>Qark</th>
<th>Number Communes</th>
<th>Number of Regional Coordinators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berat</td>
<td>20</td>
<td>1</td>
</tr>
<tr>
<td>Diber</td>
<td>31</td>
<td>1</td>
</tr>
<tr>
<td>Durres</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Elbasan</td>
<td>43</td>
<td>1</td>
</tr>
<tr>
<td>Fier</td>
<td>37</td>
<td>1</td>
</tr>
<tr>
<td>Gjirokaster</td>
<td>24</td>
<td>1</td>
</tr>
<tr>
<td>Korce</td>
<td>31</td>
<td>1</td>
</tr>
<tr>
<td>Kukes</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>Lezhe</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Shkoder</td>
<td>28</td>
<td>1</td>
</tr>
<tr>
<td>Tirana</td>
<td>24</td>
<td>1</td>
</tr>
<tr>
<td>Vlore</td>
<td>19</td>
<td>2</td>
</tr>
</tbody>
</table>

Upon recruitment, Regional Coordinators have received an induction training/instruction by the Technical Secretariat and the Team of Experts and since, regular updates from the MLI are provided. Regional Coordinators have been made aware of the following topics so that they could convey the dialogue with their communities: (i) reasons for the reform; (ii) expected positive impact; (iii) potential risks and measures taken to minimize these risks.

Requirements to be met by every Regional Coordinator candidate includes residence in the respective qark, a good acquaintance of local situation and communities, the functioning of local government, as well as good public communication and moderation skills and acceptability by all local stakeholders’ groups/parties.

Regional Coordinators, under the leadership and coordination of the Team Leader for Regional Coordination and the MLI’s Technical Secretariat carry out the following key tasks:

- Visit all local government units within the assigned qark to organize open discussions and distill local ideas and solution in response to different merging options.
- Convey to local stakeholders relevant legislation, elements and criteria for voluntary mergers and support the development of such initiatives during the time allocated for this exercise.
- Support the Prefect and the Regional Committees in their discussions and consensus building work at qark level.
- Organize and facilitate structured public consultations with various local interest groups.
- Moderate conflict/resistance to the reform and negotiate solutions in coordination with the Team Leader for Regional Coordination and in liaison with the central level (MLI, Technical Secretariat and Experts);
- Sensitize the local communities and governments on the purpose and content of the reform.
• Communicate findings of different kinds of surveys and consultations to central and local authorities;

The number and role of the RC will be target of change with the progressing of the reform and passing to different stages of implementation.

2.6 International Partners and the Reform Process

The international development community is an essential and integral part of most of the reform processes in Albania not only from the financial leverage perspective but more so from the provision of substantial technical assistance, know-how and best practices transferred to the country through donor programmes.

The current administrative territorial reform also requires political and financial support from development partners, but it also relies heavily on previous donor technical assistance and advice on the need for such reform and their past studies on relevant considerations and plausible reform options.

The present reform process also benefits from and could not do without capitalizing from good donor pilots and practices that have been tested in various parts of the country, in addition to on-going donor programmes and projects contributing to consolidation of decentralization and local democracy, fiscal decentralization and local financial management, public participation schemes in local development decision making and many other relevant capacity building initiatives. This wealth of knowledge should be carefully captured and used in the process.

In this respect, the reform needs the international partners’ contribution throughout the implementation:

• The Sector Working Group mechanism brings around the table the traditional wider international partners, having a political, developmental, programmatic or financial stake to the reform, independently from whether they contribute financially to the present STAR project.
• International partners’ representatives also participate as observers to the proceedings of the NWGTR, noting however that the NWGTR is a nationally convened body.
• The political support of international partners, especially those with a relevant strong political mandate such as CoE and OSCE is required along the process to advocate for and take concrete initiatives in establishing cross-party dialogue and promote political consensus. The diplomatic power of these organizations has traditionally played a constructive and successful role in reaching political compromises and consensus in the recent past.
• Thus, the international partners’ political and financial support remains a critical ingredient for advancing the reform itself. Without such support, the government will find it very difficult to ensure a fair and complete process and consequently compromise the quality and sustainability of any achievement.
• As part of donor coordination and arrangements within the STAR project framework, the international partners contributing financially to the project are also members of the STAR Project Board led by MLI. In this function, Board members have the right to oversee and monitor the implementation of the STAR project and exercise a fiduciary role including financial monitoring based on financial reports presented to ensure that expenditures are made in conformity with the agreed activities and in a wise and transparent manner.
• The Council of Europe is also a member of STAR Project Board, proposed by the co-chair of the SWG as a mandated organization with particular political weight and knowledge on matters relevant to the administrative territorial reform as well as decentralization and local governance.

2.7. Project Outputs and Activities

The project’s scope is to facilitate the reform process through operational support for the mobilization of the required human resources and the related necessary goods and services, logistics and running costs. The main outputs and activities to be supported within the timeframe Nov 2013 – Dec 2015 comprise:

<p>| Output 1 – MLI’s technical and institutional capacity strengthened to develop and implement the reform. |
| 1.1 – Establishment of the Recruitment of four staff to assist the MLI in guiding and monitoring |</p>
<table>
<thead>
<tr>
<th>Technical Secretariat at MLI</th>
<th>the process and the activities of the reform. Full time contracts for the period Nov 2013 - Dec 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3 – Identification and hiring of MLI’s Regional Coordinators</td>
<td>Recruitment of 13 regional coordinators, each resident in the respective qark. Full time contracts for the period Feb 2014 – Dec 2014.</td>
</tr>
<tr>
<td>1.4 Hiring of additional short-term consultants if and when needed</td>
<td>Unforeseen and required specific expertise to be hired if and when needed along the process. A contingency amount to be foreseen.</td>
</tr>
<tr>
<td>1.5 Training of Regional Coordinators</td>
<td>Two-days training for coordinators and RCCs in Tirana</td>
</tr>
<tr>
<td>1.6 Subcontract GIS mapping of current and new administrative divisions</td>
<td>Local consultant Contract for services</td>
</tr>
</tbody>
</table>

**Output 2 – Public awareness, public consultations and consensus building facilitated**

**Public Awareness Activities**

2.1 Public relations and communication strategy

Local consultant

Development of media / PR plan and implementation

2.2 Public awareness materials

- Design and print leaflets/brochures/FAQs about reform
- Design and print posters
- Other PA materials such as pens, block notes,

2.3 Promotion and information share through social media

- Opening a Facebook and a Twitter account to inform on the progress of the reform process, receive inputs and comments and trigger debates
- Update the MLI’s webpage [http://www.reformateritoriale.al/](http://www.reformateritoriale.al/)
- Realization of video footage from events/public consultations
- Summaries of main highlights from consultations posted regularly on social media, etc.
- Posting project progress and activities in the UNDP’s webpage
- Arrange for at least 6 TV shows and radio programs to be organized during the overall STAR implementation period

2.4 Subcontract access to national audio-visual media

Subcontract professional company to deliver the following:

- Producing at least two TV and two radio Spots
- Buying media time on national and local TVs and Radios to broadcast spots regularly over two months while public consultations are ongoing

Contract duration April – June 2014

**Public consultations and consensus building activities**

2.5 National / thematic workshops and meetings

Organize at least two workshops and 10 structured meetings during the period Dec 2013 – July 2014, with the participation of national stakeholders.
| 2.6 Regional workshops/town hall meetings | At least 3 meetings per week during the period of public consultations during Feb - Jul 2014

These town hall meetings at the community level will serve to inform the respective communities about the benefits of the reform, what to expect and how they can participate as well as collect citizens suggestions and recommendations on how to address some of the issues that might emerge during the process.

Extended consultations may be organized with the participation of local government representatives, regional institutions, and civil society organizations.

Regional Committees established at the regional level will be responsible for organisation and facilitation of the aforementioned workshops and meetings. |

| 2.7 Other focus group consultations | Specific structured consultations will target regional civil society organizations and private sector.

A large nationwide survey to collect inputs and comments on the new proposed administrative division as well as indicate expectations of citizens regarding the reform will be carried out as well to reach the ordinary citizens. |

| 2.8 Trainings and information of journalists | Media training targeting journalists |

**Study tours**

| 2.9 Study tour for policy makers, national and local government officials to benefit from past best reform experiences | Around 15 key representatives from the Parliament, the central government and institutions, and local governments to visit an EU country with successful recent experience in administrative-territorial reform.

Around 15 key representatives from the MLI, other central and local governments and institutions, as well as experts to visit a country with similar sized LGUs for gaining experience on the organizational structure and arrangements for ensuring local democracy and service provision. |

**Output 3 – Timely logistical inputs in all stages of the process secured**

**Equipment**

| 3.1 Securing the mobility for the operations of the TS and the coordination needs of the MLI | Two vehicles made available by UNDP free of charge |

| 3.2. Procurement of necessary office equipment | Initial estimated needs:

- 10 desktops,
- 20 laptops,
- 2 printers / photocopies
- 13 projectors,
- 13 cameras, etc.

Actual office equipment procured to date:

- 7 desktops
- 17 laptops |
1 multifunctional printer
6 projectors
13 cameras
6 UPSs
1 server
Various expendable items

Transport costs

3.3 Support stakeholders’ local transport costs
Allocation is made to cover Regional Coordinators’ transport costs within qanks and missions to Tirana for 11 months.

Travel / per-diem
Allocation to cover allowances for field or out of duty station trips for:
- Technical Secretariat and MLI staff
- Regional Coordinators travelling to Tirana
- Participation of stakeholders to national workshops/ events
- Training consultants and media journalists visiting qanks.

UNDP per diem rates for elsewhere apply.

Maintenance & Ops costs
Allocation to cover:
- Project vehicle maintenance (parking, washing, repairs)
- Project vehicle operations/fuel
- Office consumables, supplies
- Printing costs
- Communication costs, etc.

Output 4 – Support to transition / organization for the actual amalgamations

4.1 Amalgamation model design through piloting
A necessary and thorough exercise, encompassing the selected LGUs to create the full picture of the volume and nature of efforts to devote during the amalgamation and also issues requiring immediate attention.

At the end of this exercise guidelines for mergers will be developed in the form of a manual of procedures for the new LGUs and data entry book templates will be developed which would help the merging groups to properly and in a coherent way undertake the assessment of the remaining LGUs. The exercise is proposed to be carried out by a specialised service provider during end of 2014 and beginning of 2015.

4.2 Establishment of merging groups
Part of this activity is establishment of 61 working groups that will deal with assessment of the remaining LGUs and supporting the new municipalities during amalgamation process. Each group will be composed of 4 members; one legal expert, financial expert, HR and IT expert. Capacity building of these groups will take place before the elections in order to be ready to immediately embark in the assessment process after the local elections (March –June 2015).

12 groups will be established at prefecture level and be responsible to supervise working groups at municipality level part of the region. They will also receive training from the service provider and support the assessment process in their region.

4.3 drafting of necessary sublegal acts reflecting the provided recommendations from the piloting
This will be a one or more experts work that will support the MSLI and amalgamation team in preparation of the transitional support measures and sub legal acts preparation.

4.4 Border definition of new LGUs
A specialised company will be contracted following a competitive process to define the borders of the new LGUs. This exercise will start before the elections and is expected to get finalised with the
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.5 Assess the impact of TAR on women and their representation at local level</td>
<td>An expert work to assess the representation situation of women at local level and the effect of the territorial and administrative reform on the women presentation at local level.</td>
</tr>
<tr>
<td>4.6 Overall situational assessment of remaining LGUs</td>
<td>The trained merging groups will take care to carry out the situational assessment of the remaining LGUs (59) following the procedures established as a result of piloting. This exercise should take place during immediately after the elections take place and intending to feed the new mayors and administration with a detailed scanning of the going to be merged LGUs situation. The exercise is proposed to be carried out by the merging groups at municipality level supported by the regional groups and coordinators. A specialised company with take the supervising role of all this exercise at national level.</td>
</tr>
<tr>
<td>4.7 Developing a standard organization structure of new LGUs</td>
<td>An expert work suggesting suitable organizational standards for the new LGU, the specific roles of local administrators appointed at former LGU offices and village heads and the related communication lines.</td>
</tr>
<tr>
<td>4.8 Elaboration of development profiles of new LGUs</td>
<td>An integrated profile of each of the 40 + LGU, taking into account the new territory and its development potential and resources, the existing/former development plans and the external environment of surrounding new LGUs and the relevant national policies.</td>
</tr>
<tr>
<td>4.9 Mitigation strategy of TAR impact on local HR</td>
<td>Review the extent of TAR impact on local public employment and identify viable options to mitigate potential job losses and re-integrate those affected in the labour market.</td>
</tr>
<tr>
<td>4.10 Costing of the amalgamation</td>
<td>An expert exercise to determine the approximate overall and specific cost of amalgamation, inclusive of relocation, investment, employment termination costs, etc. as well as identify potential cost savings. This exercise will be helpful to standardize estimates and measures to take and also for proper budgeting purposes in order to complete the key amalgamation tasks timely.</td>
</tr>
<tr>
<td>4.11 Regional workshops/town hall meetings</td>
<td>At least one consultative workshop/meeting with each newly established LGU. These meetings at new LGU level will serve to inform the respective communities about the new setting, and all the related actions going to take place to make it operational.</td>
</tr>
<tr>
<td>4.12 Assist the new LGUs to initiate and implement the merging</td>
<td>This will be an exclusive work of the company that will supervise the merging groups and of the MSLI</td>
</tr>
</tbody>
</table>

**Output 5 – Integrated and quality financial management and coordination provided** |

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Ensure standard integrated project management</td>
<td>UNDP project staff (Project Coordinator and Admin/Assistant), Office basic running costs/supplies UNDP standard applicable management costs</td>
</tr>
</tbody>
</table>
### III. Work Plan and Budget

<table>
<thead>
<tr>
<th>Expected Outputs</th>
<th>Planned Activities</th>
<th>Timeframe</th>
<th>Responsible Party</th>
<th>Planned Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output 1 — MLI's technical and institutional capacity strengthened to develop and implement the reform</strong></td>
<td>- Recruitment of full-time staff for the TS</td>
<td>Q4 '13</td>
<td>Q1 '14</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>- Recruitment of drivers to support TS and MLI</td>
<td>Q1 '14 Q2 '14</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>- Recruitment of 2 international experts for TAR design</td>
<td>Q3 '14 Q4 '14</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>- Recruitment of national experts for TAR design</td>
<td>Q1 '15 Q2 '15</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>- Recruitment of 13 regional coordinators</td>
<td>Q3 '15 Q4 '15</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>- Other S/T Consultant</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>- Printing of TAR maps</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Output 2 — Public awareness, public consultations and consensus building facilitated</strong></td>
<td><strong>Public relations and Com Strategy</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Consultant for communication strategy</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>- Leaflets/brochures</td>
<td>Q1 '14 Q2 '14</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>- Posters</td>
<td>Q3 '14 Q4 '14</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>- Promotion and info share through social media</td>
<td>Q1 '15 Q2 '15</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Expected Outputs</td>
<td>Planned Activities</td>
<td>Timeframe</td>
<td>Responsible Party</td>
<td>Planned Budget</td>
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<td>------------------</td>
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<td></td>
<td></td>
<td>Q4 '13</td>
<td>Q1 '14</td>
<td>Q2 '14</td>
</tr>
<tr>
<td></td>
<td>Promotion in national audio-visual media</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>National / thematic workshops and meetings</td>
<td>X</td>
<td>X</td>
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<tr>
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<td>Regional workshops/town hall meetings</td>
<td>X</td>
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</tr>
<tr>
<td></td>
<td>Consultation with civil society</td>
<td>X</td>
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<tr>
<td></td>
<td>Consultation with private sector</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td>National Survey</td>
<td>X</td>
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<tr>
<td></td>
<td>Training and information of journalists</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Study tours policy makers and experts to Ireland</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td>Study tour for MLI and experts to gain organizational experience on LGU</td>
<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td>Procurement of necessary office equipment</td>
<td>X</td>
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<tr>
<td></td>
<td>Procurement of vehicle</td>
<td>X</td>
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</tr>
</tbody>
</table>

**Output 3 - Timely logistical inputs in all stages of the process secured**
<table>
<thead>
<tr>
<th>EXPECTED OUTPUTS</th>
<th>PLANNED ACTIVITIES</th>
<th>TIMEFRAME</th>
<th>RESPONSIBLE PARTY</th>
<th>PLANNED BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Q4 '13</td>
<td>Q1 '14</td>
<td>Q2 '14</td>
</tr>
<tr>
<td>- Support local transport costs for RC</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>- Travel / per-diem MLI</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>- Travel / per-diem RC</td>
<td></td>
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<td>X</td>
</tr>
<tr>
<td>- Travel / per-diem training consultants and media journalist</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>- Project vehicle maintenance</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>- Project vehicle Fuel</td>
<td></td>
<td>X</td>
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</tr>
<tr>
<td>- Office Supplies</td>
<td></td>
<td>X</td>
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<td>X</td>
</tr>
<tr>
<td>- Printing costs (Manual, Profiles)</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>- Communication costs</td>
<td></td>
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</tr>
<tr>
<td>- Processing costs (advert, bank charges etc.)</td>
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<td>X</td>
<td>X</td>
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</tr>
<tr>
<td>Output 4 – Support to transition / organization for the actual amalgamations</td>
<td>Timeframe</td>
<td>Responsible Party</td>
<td>Planned Budget</td>
<td></td>
</tr>
<tr>
<td>---</td>
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<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Project office renting costs</td>
<td>Q4 '13 Q1 '14 Q2 '14 Q3 '14 Q4 '15</td>
<td>UNDP/MLI</td>
<td>Renting costs $20,700</td>
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</tr>
<tr>
<td>Editing and translation</td>
<td>X X X X X X X</td>
<td>UNDP/MLI</td>
<td>Contract for services $14,100</td>
<td></td>
</tr>
<tr>
<td>Assessment / due diligence of 373 existing LGUs</td>
<td>X X X</td>
<td>UNDP/MLI</td>
<td>Contract for services $776,697</td>
<td></td>
</tr>
<tr>
<td>Elaboration of 40+ development profiles of new LGU</td>
<td>X X X</td>
<td>UNDP/MLI</td>
<td>Contract for services $405,000</td>
<td></td>
</tr>
<tr>
<td>Legal and administrative framework for new LGU borders</td>
<td>X X X</td>
<td>UNDP/MLI</td>
<td>Contract for services $343,482</td>
<td></td>
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<tr>
<td>Piloting One Stop Shops for service delivery</td>
<td>X X</td>
<td>UNDP/MLI</td>
<td>Contract for services $42,730</td>
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<tr>
<td>Training of new LGU</td>
<td>X X</td>
<td>UNDP/MLI</td>
<td>Contract for services $32,447</td>
<td></td>
</tr>
<tr>
<td>Output 5 – Integrated and quality financial management and coordination provided</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Coordinator</td>
<td>X X X X X X X X</td>
<td>UNDP</td>
<td>National Experts $47,406</td>
<td></td>
</tr>
<tr>
<td>Fin/Admin Assistant</td>
<td>X X X X X X X</td>
<td>UNDP</td>
<td>National Experts $38,533</td>
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</tr>
<tr>
<td>EXPECTED OUTPUTS</td>
<td>PLANNED ACTIVITIES</td>
<td>TIMEFRAME</td>
<td>RESPONSIBLE PARTY</td>
<td>PLANNED BUDGET</td>
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<tr>
<td>------------------</td>
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<tr>
<td></td>
<td></td>
<td>Q4 '13</td>
<td>Q1 '14 Q2 '14 Q3 '14 Q4 '14 Q1 '15 Q2 '15 Q3 '15 Q4 '15</td>
<td>Budget Description</td>
</tr>
<tr>
<td></td>
<td>- Project Specialist</td>
<td>X X X X X</td>
<td>UNDP</td>
<td>National Experts</td>
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<td></td>
<td>- Office supplies</td>
<td>X X X X X X X</td>
<td>UNDP</td>
<td>National Experts</td>
</tr>
<tr>
<td></td>
<td>UNDP management fee</td>
<td>X X X X X X X</td>
<td>UNDP</td>
<td>National Experts</td>
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IV. MANAGEMENT ARRANGEMENTS

4.1. Institutional Management Arrangements


UNDP will be responsible for the provision of project inputs upon formal request from the Minister of Local Issues /Project Director (see below). Services are will be provided according to UNDP rules and procedures, based on a standard letter of agreement with the Minister of Local Issues for the provision on support services. In addition to the broader stakeholder consultation and advisory fora, the management of the project at hand will entail functions as defined in National Implementation Guidelines http://www.undp.org/content/dam/undp/library/corporate/Programme%20and%20Operations%20Policies%20and%20Procedures/NIM_for_Government_english.pdf.

Project Organization Structure

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Detailed description of various roles within the management of the project:

**Project Board:**
- Provide overall guidance and direction to the project, ensuring it remains within any specified constraints;
- Address project issues as raised by the project manager;
- Provide guidance on new project risks and agree on possible countermeasures and management actions to address specific risks;
- Review the project progress and provide direction and recommendations to ensure that the agreed deliverables are produced satisfactorily according to plans;
- Review combined delivery reports prior to certification by the implementing partner;
- Appraise the project annual review report, make recommendations for the next annual work plan, and inform the outcome group about the results of the review;
• Provide ad-hoc direction and advice for exception situations when project manager's tolerances are exceeded;
• Assess and decide to proceed on project changes through appropriate revisions;

Project Director/Implementing partner:
• A Project Director is designated by Government, and is given the authority to request advances, payments, contracts, etc.
• The National Project Director (NPD) is responsible for the achievement of project objectives.
• The Project Director is the official liaison between the Minister of Local Affairs and UNDP to ensure proper project execution.
• Approve work plans for planned expenditures;
• Approve and sign the Combined Delivery Report (CDR) at the end of the year;
• Sign the Financial Report or the Funding Authorization and Certificate of Expenditures (FACE).

Senior Beneficiary:
• Group of individuals representing the interests of those who ultimately benefit from the project. The Senior Beneficiary's primary function within the Project Board is to ensure the realization of project results from the perspective of Minister of Local Affairs.

Development Partners (also called Supplier):
• Individuals or groups representing the interests of the parties concerned which provide funding and/or technical expertise to the project. Senior Suppliers in this specific case are considered all international partners contributing to the project budget represented in the Board. In light of the significance of ongoing programmatic work supported by the international community in Albania, the SVWG designates a participant on behalf of the broader "donor" community to participate in the Project Board.

Project Manager:
• Reports to the National Project Director
• Plan the activities of the project and monitor progress against the approved work-plan;
• Mobilize personnel, goods and services, training and micro-capital grants to initiative activities, including drafting terms of reference and work specifications and overseeing all contractors' work;
• Monitor events as determined in the project monitoring schedule plan, and update the plan as required;
• Manage requests for the provision of financial resources by UNDP, through advance of funds, direct payments, or reimbursement using the FACE (Fund Authorization and Certificate of Expenditures);
• Monitor financial resources and accounting to ensure accuracy and reliability of financial reports;
• Be responsible for preparing and submitting financial reports to UNDP on a quarterly basis;
• Manage and monitor the project risks initially identified and submit new risks to the project board for consideration and decision on possible actions if required; update the status of these risks by maintaining the project risks log;
• Capture lessons learnt during project implementation – a lessons learnt log can be used in this regard (MS Word template)
• Perform regular progress reporting to the project board as agreed to with the board;
• Prepare the annual review report, and submit the report to the project board and the outcome group;
• Prepare the annual work plan for the following year, as well as quarterly plans if required;
• Update the Atlas Project Management module if external access is made available.

UNDP project assurance:
• Ensure that funds are made available to the project;
• Ensure the project is making progress towards intended outputs;
• Perform regular monitoring activities, such as periodic monitoring visits and "spot checks";
• Ensure that resources entrusted to UNDP are utilized appropriately;
• Ensure that critical project information is monitored and updated in Atlas;
• Ensure that financial reports are submitted to UNDP on time, and that combined delivery reports are prepared and submitted to the project board;
• Ensure that risks are properly managed, and that the risk log in Atlas is regularly updated
UNDP Project Support:
- Set up and maintain project files;
- Collect project related information data;
- Assist the project manager in updating project plans;
- Administer project board meetings;
- Administer project revision control;
- Establish document control procedures;
- Compile, copy and distribute all project reports;
- Assist in the financial management tasks under the responsibility of the project manager;
- Provide support in the use of Atlas for monitoring and reporting;

4.2. Financial Management Arrangements

4.2.1 Pooled Budget Management

UNDP will dedicate a unique and identifiable project code (ATLAS Award ID) for financial management of the project. UNDP will:
- Produce a project budget, unique to this project which is identifiable in all transactions and which will be the budget into which third party and government cost sharing contributions (donor contributions) will be credited (accounts receivable) for carrying out of the project activities;
- Ensure physical security of financial contributions, cash and records;
- Disburse funds in a timely, proper and effective manner;
- Ensure financial recording and reporting, and
- Prepare, authorize and adjust commitments and expenses.

Third Party (Donor) Contributions

The Minister of Local Issues will source the project from contributions of donor governments solicited through the donor coordination mechanisms active in Albania and co-chaired by the Directorate of the Swiss Development Cooperation (SDC) and the Minister, personally.

Upon indication of commitment, the donor governments and other donors will be expected to pool their resources into the Budget of this project which is identifiable in accounting terms by UNDP (unique ATLAS ID). UNDP will contribute its own core resources (TRAC) allocated to Albania for jump starting project activities. Those funds will be co-mingled with funds from UNDP to cover the costs of the project.

A contribution agreement between the Donor and the UNDP will be required because the third-party donor will not be signatory to the Project document at hand which describes the Support to Territorial and Administrative Reform Project of the Government which it wants to finance; and because UNDP has legal responsibilities for management of the financial resources. Standard UNDP agreement templates are in place as applicable to all participating donors in Albania. Only standard agreements will be concluded so as to avoid delays in resource mobilization and negotiations.

Recognition of revenue on donor contributions (standard third party cost sharing)

a) The standard third party cost sharing agreement enters into force upon signature of the donor and UNDP. Therefore, revenue will be recognised only upon signature of agreement by both parties. All instalments will be recognised as revenue based on dates in the schedule of payments of the agreement. Where the agreement's entry into force is upon signature and first deposit (i.e. the first payment from the donor) revenue will only be recognized after signature and first deposit.

b) For multi-year contributions, revenue is recognised based on the dates in the schedule of payments in the agreement. The schedule of payments is an indication of the intended period to which the funds relate.

c) Funds received prior to signature and entry into force of an agreement must be recognized as a liability (deferred income) and recognized as revenue in accordance with the revenue recognition policy when the donor agreement is signed.
All these funds will be recorded in a unique, recognizable ATLAS ID account for the project, according to the established rules for receivables. Following the procedures to record project expenses and reimbursements enables adequate budgetary and financial control, as well as the preparation of financial reports for the implementing partner, the government, and the donors.

**Cash Transfers from the Project Budget/Fund**

UNDP will conduct expense from requisition through to disbursement with no cash being transferred to the Minister. However, the Minister has full programmatic control and therefore ultimate control over expenses, exercised through budget approvals; monitoring of expenditures; and quarterly Combined Delivery Report certifications. UNDP rules and regulations for expenditures apply irrespectively of the origin of the funds to implement the project, i.e. UNDP core resources, cost sharing from the government, International Financial Institutions, bilateral donors, etc.

### 4.2.1 Financial Reporting and Budget Controls

The UNDP will avail of several tools to monitor national execution finances by UNDP. The Combined Delivery Report (CDR) is the only accepted formal financial reporting tool, which must be signed by UNDP and certified by the Minister of Local Issues. The Project Budget Balance Report and the Project Transaction Detail report are generated unilaterally by UNDP for monitoring and budget control purposes and do not constitute official financial statements.

UNDP will prepare a **Combined Delivery Report (CDR)** at the end of each quarter and at the end of the year. The Combined Delivery Report is a mandatory official report which reflects the expenses and funds utilized on a project. The report presents two pages, expense and funds utilization. The expense page reflects the total expenses (recorded in Atlas) of the project during a period. The Funds Utilization page reflects undepreciated assets, prepayments, inventory, and outstanding commitments made by UNDP as direct support to the project. The final Combined Delivery Report at the end of each quarter or the year must be signed by UNDP and certified by the Minister of Local Issues to confirm the validity of the expenses incurred on behalf of the project for the reporting period. The Combined Delivery Report is presented to the donors through the Country Office in Tirana as well as through annual donor reports produced globally for each UNDP donor.

The **Project Budget Balance** report will be used to monitor and manage budgetary availability for the Project. It shows budget balances and budget utilization rate of the project. This report will be made available in summary level (project, output, activity, responsible party) and detail level (project, output, activity, responsible party, budgetary department; fund, donor, account). UNDP will avail updated Project Budget Balances to the Project Board for monitoring purposes. This report is a UNDP report for monitoring the financial movements of all projects and does not constitute a financial statement.

The **Project Transaction Detail** report provides the lowest level of transactional details supporting commitments, expense, and full cost of asset amounts shown on the project budget balance report. The report shows transactions at the project/output/activity/Chart of Accounts level, including voucher/purchase order IDs, vendor ID and name, and line descriptions. The UNDP will avail updated transaction details to the Project Board for monitoring purposes. This report is a UNDP report for monitoring the financial movements of all projects and does not constitute a financial statement.

### V. Monitoring Framework and Evaluation

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

**Within the annual cycle**

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management.

- An Issue Log shall be activated in Atlas and updated by the Project Coordinator to facilitate tracking and resolution of potential problems or requests for change.
Based on the initial risk analysis, a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.

Based on the above information recorded in Atlas, a Project Progress Reports (PPR) shall be submitted by the Project Coordinator to the Project Board through Project Assurance, using the standard report format.

A project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project.

A Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events.

In addition to the above standard monitoring framework, a close communication will be established between UNDP and Minister of Local Issues with respect to the day-to-day implementation of activities and information on the project’s progress will be shared regularly and when needed with the project’s stakeholders and partners.

Annually

- Annual Review Report. An Annual Review Report shall be prepared by the Project Coordinator and shared with the Project Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format covering the whole year with updated information for each above element as well as a summary of results achieved against pre-defined annual targets at the output level.

- In accordance with standard UNDP procedures, an internationally recognized auditing firm will carry out annual auditing of the project. The purpose of the audit is to certify that disbursements were made in accordance with the activities specified in the project document; disbursements are supported by adequate documentation; financial reports are fairly and accurately presented; appropriate management structure, internal controls and record keeping is maintained. At the end of the project, an evaluation may be conducted to assess the impact of the project.

VI. LEGAL CONTEXT

This document together with the UN Program of Cooperation which is incorporated herein by reference, constitute together a Project Document as referred to in the Standard Basic Assistance Agreement (SBAA); as such all provisions of the SBAA apply.

Consistent with the Article III of the Standard Basic Assistance Agreement (SBAA), the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP’s property in the Implementing Partner’s custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:

a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;

b) assume all risks and liabilities related to the implementing partner’s security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner’s obligations under this Project Document.

The Implementing Partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via [http://www.un.org/sc/committees/1267/ag_sanctions_list.shtml](http://www.un.org/sc/committees/1267/ag_sanctions_list.shtml). This provision must be included in all sub-contracts or sub-agreements entered into under/further to this Project Document".
### Annex 1 - Risk Log

<table>
<thead>
<tr>
<th>#</th>
<th>Description</th>
<th>When Identified</th>
<th>Type</th>
<th>Impact &amp; Probability (1 low - to 5 high)</th>
<th>Counter measures / Management response</th>
<th>Owner</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Difficulty to reach political consensus</td>
<td>Current environment at project start</td>
<td>Political</td>
<td>Both main political forces have been publicly declared in favour of the reform. Nevertheless, a traditional lack of political consensus on various matters would also affect negatively the consensus needed for the specific reform. This is a serious threat that should be addressed constantly for ensuring broader support and mitigating unnecessary resistance to the reform. Probability: 4 Impact: 3</td>
<td>Risk recognized at project formulation Establishment of politically mixed advisory mechanisms at central and local levels (parliamentary commission, National working Group with participation of LG associations, regional committees at qark levels) Promoting dialogue opportunities through formal and informal means and political lobbying from MLI and the high Government officials Clear communication of reform objectives and outcomes as well as consequences/effects subjected to technical and political discussions. Public consultations are given special importance during the process to mitigate resistance, identify most feasible and accepted options and build support. International community aware, alert and in favour of supporting political dialogue through their means and power</td>
<td>The Ministry of Local Issues considers this matter a priority. This element will also be in the focus of the Project Board and the SWG</td>
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<td>2</td>
<td>Resistance to reforms</td>
<td>During the project implementation</td>
<td>Political</td>
<td>The reform is expected to encounter resistance from those negatively affected</td>
<td>Open and sincere communication about possible negative effects of the reforms and well thought mitigating measures to circumvent</td>
<td>Ministry of Local Issues itself as well as through</td>
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<td>#</td>
<td>Description</td>
<td>When Identified</td>
<td>Type</td>
<td>Impact &amp; Probability (1 low – to 5 high)</td>
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<td>3</td>
<td>Good coordination of a considerable number of actors and activities</td>
<td>Project design and multiple goals to be achieved</td>
<td>Organizational</td>
<td>This is a new complex technical and participatory process which requires coordination and commitment along a tight timeline of a variety of actors from political forces, central and local governments, the community and civil society and relevant international development partners. Probability: 2 Impact: 4</td>
<td>Several mitigating measures are integral part of the project design, inclusive of various ad-hoc forums and experts/focus groups as well as a unique project management supported by a pooled funding operated by UNDP. The establishment of a Technical Secretariat within the MLI and dedicated to coordination of the process and resources will facilitate the MLI’s overall coordination role. MLI is aware that several other line ministries and sectorial strategies should be complementary and supportive. Such line ministries/central institutions are part of the reform National Working Group Further efforts should be made by the Minister of Local Issues to channel at the extent possible inputs and resources to the</td>
<td>Ministry of Local Issues</td>
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<td>#</td>
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<td>4</td>
<td>Timely and satisfactory funding of planned activities</td>
<td>During the project implementation</td>
<td>Financial</td>
<td>The project may encounter insufficient funding or co-financing difficulties when needed, depending on the availability of funding resources. This will heavily compromise the pursuing and quality of the process and consequently its results.</td>
<td>Preparatory and principle discussion have taken place between government and relevant donors/ respective SWG during the project design. The donor community has showed readiness in supporting the reform financially through various modalities. There is need to materialize this support on time and at the required levels by swiftly responding to donor requirements and providing the required details, in short maintain an aggressive resource mobilization position. At all times, the Government should maintain a time horizon forecast of forthcoming needs and available resources and take timely action to ensure continuity and sustain the process by sharing problems and seeking solutions within the Government and in collaboration with international partners.</td>
<td>Ministry of Local Issues</td>
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