

Serbia Local Government Assessment Team
Final Report
July 2004

I. Executive Summary

USAID is the principal donor working in the local government sector in the Republic of Serbia. Since November 2001, USAID has been supporting the reform of Serbian local government through technical assistance to municipalities, policy reform and association development. The primary vehicle for delivery of this assistance is the Serbia Local Government Reform Program (SLGRP) implemented by Development Alternatives Inc. (DAI). SLGRP's impact has been widespread – reaching more than half of all municipalities in the Republic; and comprehensive -- addressing a wide range of local government reform needs including financial management and budgeting, communal service provision, citizen participation, public procurement, policy reform and association development.

SLGRP, combined with the Community Revitalization for Democratic Action (CRDA) program, contributes to USAID/Serbia's Strategic Objective 2.1, Increased, Better-Informed Citizens' participation in Political and Economic Decision-Making. Together, CRDA and SLGRP are aimed at mobilizing and increasing citizens' participation in bringing about improvements in local living conditions and by creating more effective, responsive and accountable local government.

In preparation for the development of a new five-year strategy, USAID/Serbia invited a USAID/Washington team to conduct an assessment of the local government sector in Serbia. The purpose of the assessment is to make specific recommendations about whether USAID should continue to support the local government sector in Serbia and if so, what type of local government assistance should be included. The assessment team conducted close to 200 interviews with municipal officials, citizen groups, republic government representatives, local government associations and think tanks, USAID implementers and other donors between June 20 and July 10, 2004.

Findings

With 87 out of 161 municipalities participating, SLGRP is reaching 90 percent of the population of Serbia. Out of all of USAID's local governance programs operating in the Europe and Eurasia region, SLGRP is reaching the largest number of municipalities relative to country size. SLGRP is pervasive and its impact can be felt throughout the country. The sheer scale of the program is an important factor in its success.

Just more than halfway through the life of the program, SLGRP has been well received by participating municipalities and is resulting in real improvements in the way they do business. The citizen participation component is particularly effective in providing greater opportunity for citizen participation in the affairs of local government as more and more Serbian municipalities are incorporating citizen participation as regular practice. Especially impressive were the Citizen Assistance Centers that have been established to facilitate better customer service and have gone a long way in improving the image of local government. Often these citizen participation efforts

are done in conjunction with the CRDA program -- further enhancing the relationship between citizen and local government. The public procurement training was commended by participants as being instrumental not just in increasing transparency of the procurement process, but also resulting in significant cost savings to the municipality. And, despite longstanding and entrenched problems in the structure and management of communal enterprises, the communal enterprises training and associated technical assistance provided by SLGRP has led to improved maintenance and collection. The communal enterprise component, like some of the other SLGRP program areas, could have been more effective if the assistance had included the provision of small grants. Future local government programming should include its own grant facility.

Progress made towards greater empowerment of local government through Republic-level policy reform has been disappointing at best. While the institutional development of the Standing Conference of Towns and Municipalities has been outstanding, they have had limited impact in securing the legislative framework that would give local governments sufficient and exclusive authority and adequate resources to solve local problems and address local issues at the local government level. Political instability (including frequent elections) at the republic level is certainly partly to blame, but more can be done to build coalitions and push municipal empowerment and decentralization into the public dialogue.

The process of economic and political transition in Serbia is placing new demands on local government, not least of which is the ability to create more business-friendly environments and facilitating economic growth through strategic management of municipal resources and better planning. To meet the demands of a market economy, communities must take responsibility for their own economic and social well-being and local government plays a crucial role in leading this process. Business improvement districts (BIDS) and one-stop shops implemented through SLGRP are an important step in that direction. But, it is in this critical area of strategic planning for local economic development that USAID could do more.

Recommendations

The transition to a more democratic governance system in Serbia must include increased empowerment and increased revenues to local governments to permit the solution of local problems and achievement of local priorities at the local level. Effective democratic local self-governance also implies responsive, transparent and accountable local governments with established mechanisms for citizen participation and service delivery acceptable to community standards. Given the critical importance of democratic local governance to Serbia's economic and political transition, and the fact that USAID has both a track record and comparative advantage in this sector relative to other donors, **the assessment team strongly recommends that USAID continue to support local government strengthening in their next five-year strategy.**

The assessment includes a full discussion of recommendations aimed at improving and/or furthering the impact of any follow-on local government programming in Serbia. With a view toward possible reduction in available budget funds, the team further refined its recommendations to identify six priority recommendations that would result in strengthened local government and should, at minimum, be included in the Missions new five-year strategy.

1. **Policy Reform** – For the orderly, successful and sustainable development of more democratic system of local governance, it is essential to have policy reform that results in a legal framework that includes return of municipal property, increased fiscal decentralization and empowerment of local government. This should include, among other things, continued support to the Standing Conference of Towns and Municipalities to improve their effectiveness in the policy arena.
2. **Improved Local Management of Resources** – Deepening and improving the skills of municipal officials to manage and plan their resources (financial and property) will pave the way for decentralization, return of municipal property and access to investment capital. Even without much progress towards fiscal decentralization, local governments can still improve their position and operations.
3. **Consolidated Local Government Program** – In the likelihood that the overall USAID/Serbia budget will be decreased, USAID should consider consolidation of CRDA and SLGRP in a follow-on local government program that takes advantage of the strides made in local government and contains an expanded grant facility capable of undertaking a modified continuation of CRDA-type activities.
4. **Local Economic Development** – This should include educating local governments about their role in economic development and support to the development and implementation of strategic economic development plans aimed at improving local business climates and promoting local economic growth.
5. **Property Taxation** – USAID should be positioned to provide local governments with technical assistance, training and systems required to mount an assessment based property tax system. The implementation of such a system has huge potential for increasing the own source revenues of local governments.
6. **Communal Services Enterprises** – This should include the delivery of technical assistance, training and equipment grants to emphasize improved management and maintenance of key municipal services such as water, sanitation and solid waste management. As citizens see that their local governments can deliver services, they will be better advocates for decentralization.

Organization of the Report

This report presents the findings and recommendations resulting from three weeks of fieldwork and close to 200 interviews conducted in June and July, 2004. It consists of the following sections:

- I. Executive Summary – Summarizes the findings and key recommendations;
- II. Background – Describes the purpose of the assessment and methodology;
- III. Findings – Summarizes key findings
- IV. Recommendations – Describes a comprehensive set of recommendations based on key findings;
- V. Priority Recommendations – Assuming shrinking resources, this section outlines six priority recommendations to guide future programming in local government; and

- VI. Other Donors – Summarizes activities of other donors active in the local government/municipal sector in Serbia.

Annexes

II. Background

In preparation for the development of its new five-year strategy, USAID/Serbia is conducting assessments of the key sectors and programs in which it has been working since 2001. The purpose is to determine if the mission should continue its efforts in these sectors and whether the focus of its programs should be modified. The purpose of the Local Government Sector Assessment is to examine and identify the key accomplishments and lessons of USAID's Serbia Local Government Reform Program (SLGRP); identify what other donors are doing in the local government sector and recommend what, if anything, USAID should do in the local government sector in the upcoming strategy period.

Started in November 2001, SLGRP is a five-year program designed to assist local governments to improve municipal administration, operations and planning and also to increase transparency, outreach to citizens and citizen participation. It also provides technical and material support to assist the Standing Conference on Towns and Municipalities to become an effective, representative municipal association that provides member services and engages the national government on relevant legislative issues. In support of the previous Serbian Government's stated goal of decentralization, the SLGRP provides technical assistance for fiscal decentralization, seeking to assign greater municipal ownership and "tax and spending" authority to the local level. Although the total estimated amount of funding for this program has fluctuated somewhat, USAID funding for this activity has come to rest at about \$29 million for the five year period.

Participating municipalities receive extensive training and technical assistance from SLGRP implementer DAI in the area of financial management and citizen participation techniques. Many cities also receive help in rationalizing their municipal services, utility management, and information management to help them become more efficient, responsive and accountable. In some towns, the program is working to improve local government customer focus and responsiveness; increase citizen and civil society involvement and access to local government; improve legal and financial sustainability; increase local government influence at the national level; and increase transparency and cost effectiveness through improving municipal procurement practices. Pilot projects involving the establishment of business improvement districts (BIDs) and citizens assistance centers (CACs) have been implemented in a small number of municipalities. (See annex 1 for a more complete description of SLGRP program components participating cities.)

SLGRP is currently working in 87 municipalities, including the 17 Belgrade metropolitan area local governments. Not all municipalities started at the same time, but rather were phased-in as the program expanded. In year one (2002) there were 19 municipalities in the program. In year two (2003), 21 municipalities were added. In year three (2004), SLGRP expanded to an additional 47 municipalities including 17 Belgrade municipalities.

The Local Government Assessment Team consisted of two members from USAID/Washington (Ted Priftis, DCHA/DG and Faye Haselkorn, EGAT/PR/UP) who carried out their task in Serbia from June 20 to July 10, 2004. Combined, the team visited 12 municipalities throughout Serbia where they conducted close to 200 field interviews with USAID partners, customers and stakeholders, including mayors, finance officers, procurement officers, information system managers, communal enterprise managers, Business Improvement District (BID) association members, other staff of municipalities and communal enterprises, citizen advisory board members, MZ committees, CRDA Committees and CRDA NGO Staff. In addition to getting a good geographic sample from throughout the country, just over half of the municipalities interviewed had been with the program a solid two years since 2002, while the other municipalities interviewed were new additions to the program (starting in 2004). They also met with and interviewed representatives of key associations, think tanks, republican level government officials and other donors working in the municipal or local governance sector. In addition to eliciting feedback on what worked and didn't work in SLGRP, the team also used the interviews, and relevant documentation, to identify major issues and potential opportunities for local government reform in Serbia. A complete list of persons interviewed and documents reviewed is provided in Annex 2 and 3.

III. Findings

The SLGRP is a high profile, very successful project which has 87 out of the 161 Serbian municipalities participating and reaches in excess of 90% of the population. Due to its very broad coverage the Program is pervasive and its impact, which will only deepen over the remaining two years of project implementation, can be felt throughout the country. The very scale and content scope of the Program make it a force in municipal affairs. SLGRP is slowly but definitely influencing the way Serbian municipalities do business, and how they relate to, and are perceived by their citizens. SLGRP's tandem relationship with the CRDA Program, has placed municipal leadership in active participation with community groups in the shared funding of community prioritized projects, where increasingly discretionary municipal budget funds are being directed to support their citizen's democratically expressed felt needs.

Public Policy Reform

Unfortunately, there has been a general lack of forward movement in creating the legislative framework which would make possible the empowerment of local governments, with sufficient and exclusive authority and adequate resources to solve local problems and address local issues at the local government level. Worse yet, there has been no systematic negotiation between players at the Republic level, representatives of local government and key individuals from civil society and the private sector to hammer out an agreement as to the degree of decentralization and local authority to be established.

The return of municipal property requires constitutional change. The fundamental nature of the systemic changes to the governance system inherent in meaningful fiscal decentralization rule out unilateral Republic level ad hoc adjustments as acceptable or effective modalities. Current operational relations, which require local governments to bump certain approvals or actions up to the Republic government level are characterized by delay, poor communication and an almost adversarial relationship.

The Team's findings lead us to conclude that this component of the Program has to this point, not received the strategic planning, attention or resources commensurate with its critical importance to the transition of Serbia to a more democratic system of governance. As will be discussed below, very significant progress has been made in rebuilding the Standing Conference of Towns and Municipalities into a more truly membership type organization and a more effective representative and advocate for local government; but this is not enough by half given the critical need for local government policy reform in Serbia.

Relationship with Republic Government

Municipal officers and citizens alike spoke of the difficulty they had in cooperating with the central government. With so many local level decisions still dependent on republic government approval or action, this is a huge barrier to getting things done. The numerous problems that stemmed from the lack of cooperation ranged from budget issues with the Ministry of Finance to enforcement of service fee collection with the court. Operationally, the Republic level government was not considered to be agile, reasonably prompt nor service oriented when it came to completing their portion of operations shared with municipal governments. Municipal governments seemed to encounter the Republic government as distant, adversarial, and slow to respond.

Association Development

The progress made in the institutional development of the Standing Conference of Towns and Municipalities is outstanding, and while in no way intending to subtract from the merit accruing to the leadership and active membership of the Standing Conference for the metamorphosis, it is safe to say that such progress would not have been possible without the support and technical assistance rendered by the USAID funded SLGRP and the professionals of the DAI team.

The Standing Conference has improved its operating structure to provide for a greater number of now active standing committees which feed member thinking and suggestions for action to the executive, has increased the number of active members, and increased the income from member dues. The Standing Conference has also grown more active and increased its effectiveness as an advocate of the interests of local government. Relations with the Republic level of government have been formalized, and their frequency increased.

In the course of the Team's interviews, mayors frequently expressed increased confidence in the Standing Conference. The progress made has been substantial; but there is a considerable portion of the race still to be run. Development of their legislative agenda still needs improvement; there is still too much individual lobbying for individual municipal agendas by mayors with access; this weakens the organization. The area of developing service for members is still embryonic and requires significant study and strategic planning to identify those areas of member needs and desires and the modality the organization should adopt to service them; i.e. you develop the capacity to arrange for member training, you don't develop full time, in house training staff.

Regarding lobbying efforts, future program assistance should move to provide guidance and training into the organization and cultivation of coalitions; in the present political environment, the Standing Conference by itself is not going to engineer a politically negotiated,

comprehensive reform of the legislative framework defining a new reordering of the relationship between the Republic and local levels of government. DAI should provide not only information, training and technique, but timely injection of short-term experts with the caliber of expertise required to perform at such levels.

As their capability and profile has grown, the Standing Conference has been increasingly courted by donors and donor agents. At times they have been the recipients of additional assistance, at times they have been “contracted” to provide services. While such activity has been good for the Standing Conference budget, the Team would like to inject a note of caution. First, there should be better communication and coordination among the donor community to avoid pulling the Standing Conference in different directions and away from their principal focus; and secondly, there is the danger of diverting a thin management team from the main tasks of the organization.

Citizen Participation

The assessment team found that SLGRP’s citizen participation component was very effective in providing greater opportunities for citizen participation in the affairs of local government. The program’s assistance is making in-roads in improving customer focus and responsiveness of local governments to their citizens. Citizen participation is one of SLGRP’s largest components in that all 87 participating municipalities received assistance in this area, although not all municipalities did the same thing. It should be noted that good cooperation with the CRDA program was also identified as a contributing factor in the success of municipal citizen participation efforts.

One constant was public participation in the budget process where each municipality received or is receiving training and technical support in carrying out a series of public budget hearings. It was the team’s observation that this assistance was being put to good use by the municipalities. In Vranje, for example, during the visit of the assessment team, the municipality was in the process of holding a series of 12 hearings in different communities of the municipality. Most of the municipalities interviewed found that these public hearings were a good way to connect with citizens and planned to continue the practice, even though it is not something that is required by law.

The team felt that Citizen Assistance Centers (CACs) were one of the top accomplishments of the SLGRP program and certainly one of the more observable features of improved customer focus of the municipalities. The importance of the physical design of the CAC can not be overstated – by removing the partitions, peep holes and other physical barriers between citizens and municipal employees, municipalities are sending a message to citizens that they are open and here to serve them. Another feature of the CAC is the importance placed on customer service training for the staff of the CAC. Finally, computers and software allowed the municipality to more easily and quickly access information and respond to citizen requests much faster. Whereas in the past, citizens would have to go to multiple offices to get what they needed, now it’s all in one place. In all of the cities the team visited, municipal officials and citizens alike reported that the time that it took to get documents from the municipality was greatly reduced. In some cities, they have been able to add one-stop permitting services (building permits, licenses, etc.) to the CAC. To date, these centers have opened in about eight cities and SLGRP intends to expand this to a total of 30 municipalities. If resources were available, the CACs are

an innovation well worth expanding to more cities; they visibly embody the philosophy and the practices USAID is seeking to instill among local governments.

Under the citizen participation component, DAI is implementing CityStat, a municipal management and accountability system designed to improve municipal leadership's ability to track and monitor performance of municipal service delivery in two SLGRP cities. The team found that this system is working well in the Serbian context by helping the municipality fulfill three very important functions: increasing transparency, sending a message to citizens that the municipality cares and improving service delivery. Citizen complaints are entered into a database and linked to a geographic information system that shows the area where the problem is occurring. The software allows managers to track the response time to the complaint and a means for monitoring the performance of their communal enterprises. A team member saw the system up and running and used by the Indjij municipal administration, and under development in Kragujevac. The team found that CityStat can be a very effective management tool and has good potential for replication in other cities.

The team visited several Business Improvement Districts (BIDS) and met with the businesses and municipal officials involved. The team found that the BIDS are a good way to get the private sector involved in improving the local business environment. By implementing a self-imposed additional tax, the businesses in the BID zones are partnering with the municipality to make infrastructure and other improvements. This has given the participating businesses a decisive role in how their tax money is spent and is making BID zones a vibrant area of the city. Dependence on the republic level for tax collection has complicated the BID zone concept somewhat, but does not preclude it from being a workable model in Serbia. As this is still very new for Serbia, there have been a number of legal and organizational issues that need to be resolved in terms of the status of the BID associations. DAI is working on a model ordinance for the BID zones that should make it easier for municipalities to implement. As an incentive for the establishment of the BID, CRDA has provided matching grants. While this was extremely important, the team felt that the development of the BID zones would move more smoothly and efficiently if the SLGRP could make these funds available as needed via a grant mechanism internal to the program and thus avoid the need to inject a different process and different staff into the process.

Overall, the team felt that there were many good examples of collaboration between citizens and municipalities. Local governments are more open and transparent and citizens are playing an active role in improving services and their communities. The trust and relationship building between municipality and citizens that SLGRP and CRDA has created is an important foundation, but little has been done to give citizens more influence over municipal decision-making. The BIDs are moving in that direction, but more could be done to deepen citizen participation.

Relationship of the SLGRP to the CRDA program

The Serbian Local Government Reform Program, SLGRP, and the Community Revitalization through Democratic Action, CRDA, are major Mission projects designed and conceived to be complementary and be implemented in tandem. The SLGRP is primarily operating in municipalities, with the exception of the Belgrade municipalities, where the CRDA Program is active. CRDA is a civil society program, employing community development activities, which

funds projects selected by the community ranging from municipal infrastructure improvement and rehabilitation, to environmental protection, economic development and income generation and civic participation. SLGRP supports the municipalities through training and technical assistance to improve municipal administration, operations, embrace transparency and increase outreach to citizens and citizen participation. SLGRP also assists the Standing Conference improve its capacity to advocate on behalf of local government and provide services to its members.

The points of operational interface between the two programs are many, varied and would appear to be growing. However, there are two main lines of activity generating the operational interface and collaboration.

From the CRDA direction, the municipality is intrinsically involved in community projects; the level of intensity ranging from CRDA contact with the municipality when commencing the project, to municipality involvement stemming from community projects involving rehabilitation or improvement of municipal infrastructure, and increasingly, as communities petition municipalities to contribute funding support to selected projects. This process ties in with, and is but an extension of the essential objectives of budget hearings and increasing citizen participation. The second major source of interface arises when CRDA and SLGRP collaborate on the realization of projects whose initial impetus comes from activities initiated from the SLGRP side of the tandem operation. Some examples of these are assistance with setting up of Citizen Assistance Centers, Business Improvement Districts, and provision of trash receptacles to communal solid waste enterprises as part of larger efforts to improve their service delivery.

From interviews with key CRDA and SLGRP leadership, personally and professionally the collaboration is amicable and essentially effective. However, it is clear that the SLGRP could operate more efficiently, plan more effectively, and generally significantly enhance the results achieved from a larger spectrum of their varied interventions if they had project grant funds at their disposition.

From the perspective of CRDA operations, the need to direct CRDA funding in support of certain SLGRP derived or generated activities cannot avoid inflicting strains on the functioning of the community driven project selection process -- which is basic to CRDA's modus operandi.

Financial Management and Budgeting

The mayors and their respective Finance Directors were uniform in their praise for the quality of the training received and its usefulness in adjusting to changed requirements and/or responding to Ministry of Finance reporting requirements. Finance Directors were uniform in citing their reliance on SLGRP workshops to keep them apprised of changes in legislation and training in making the needed adjustments. Most important, the technical assistance and the training resulted in the adoption and institutionalization by the municipalities of improved budget development and/or control techniques. The software packages provided by the Program were generally used by the municipalities, with exceptions being in Presevo, where the municipality harbors doubts about Republic level government acceptance and Nis, where some adjustments in the software are required prior to its being put to use. The Program also developed and

distributed to municipalities a desktop national finance and budget reference guide, complete with model budget templates.

Based on extensive interviews with mayors, finance directors and managers of communal service enterprises, it is clear that with minor exceptions at best, municipalities do not do strategic planning, still have not reached the point of sophistication where the budget is a strategic planning document, and resource allocations of discretionary monies are not based on priority setting reflecting strategic choices. These are fundamental practices for local government; future assistance should address these shortcomings.

Communal Enterprise Management

Starting with the Milosivic era and continuing to the present, funds for infrastructure improvement and expansion have been extremely tight to nonexistent for municipalities. Budgetary constraints and other priorities have equally crippled the Republic government's capacity to fund infrastructure investments at anything but a nominal level. Equipment has been aging and infrastructure networks in the water/sewer sector are severely stressed and currently exhibit heavy losses throughout the distribution system. Most municipalities are not currently credit worthy, which further clouds a bleak borrowing picture created by republic level strictures which limit municipal borrowing to no more than 25% of the previous year's budget. Except for the very largest municipalities/cities, this would effectively dictate piecemeal execution of infrastructure improvements, severely constraining strategic execution and most probably resulting in increased costs.

The SLGRP work with communal service enterprises, focusing on solid waste management and water/sewer service, has operated on the knowledge that the existing situation with communal service enterprises at Program initiation was exacerbated by weak management systems, poor execution of routine preventive maintenance regimes, and administrative systems that failed to effectively execute the meter reading, billing, collection functions. This latter situation, considering that the rate structure does not produce full cost recovery to begin with, has serious consequences.

Under SLGRP, the communal enterprises of participating municipalities benefit from 2 year training programs re-enforced with hands-on technical assistance. Even within the limitations cited above, improved maintenance regimes have led to fewer problems, and work with administrative sections has led to improved collections with its attendant benefits. SLGRP operations to date with communal enterprises have substantiated the program design premise that even within the current environment, worthwhile improvements can be made via improved management, technical and administrative systems. SLGRP work with communal services enterprises, notwithstanding salutary instances of CRDA support mentioned below regarding receipt of trash receptacles and a new garbage truck, point to the need for any future local government follow-on project to possess a grant funding component which would provide the flexibility to stimulate directional modifications of communal enterprise practices or operations by facilitating modest but frequently critical small equipment purchases; e.g. pumps, rental of leak detection equipment, etc. Any local government program implementation is immeasurably improved by being able to control the timing and specifics of inputs. Being subject/dependent

for important in-puts on an ongoing basis to the procedures, timing constraints, and trigger mechanisms of a separate program is a heavy constraint on operations.

In Kragujevac, a Team member met with the Citizens Advisory Board, formed as a result of SLGRP programming. This particular CAB was made up of members representing citizens, media and the communal enterprises and was dedicating efforts to communicating with citizens via public service announcements, attempting to promote conservation of water, and improve citizen behavior regarding “wildcat” dumping of garbage. These CAB efforts and the larger communal enterprise program further benefited from successful interface between the SLGRP and the CRDA programs in the form of Kragujevac receiving a new garbage truck and a number of new garbage bins for public placement to further discourage random tossing of garbage by citizens leading to the build up in “wildcat” dumps. Uzice municipality has also benefited similarly. This particular CAB in Kragujevac featured a very smooth working relationship between concerned citizen volunteers, media and top staff of the consumer enterprises.

Municipalities and Economic Development

Economic Development was a top priority of Serbian Mayors in a 2004 DAI survey. In that survey, 75 percent of current SLGRP participants said that economic development was their top priority for future assistance. This need was further identified by the assessment team in city after city. In addition to the generally depressed economy, many Serbian cities are facing restructuring, privatization and/or closure of industry that is almost certainly going to end up in job losses. Municipalities play little to no role in the disposition of these companies, but when the whole process plays out, they are beneficiary to the proceeds of privatization (5 % net -- but that will likely change). Mayors no doubt feel the need to confront the weak economy, but many if not most, are uncertain as to their role.

When you ask a Serbian mayor about his economic development plan, he is likely to present you with a list of local companies that need an investor. Most mayors haven’t taken action to create a favorable environment for business in their municipality, to establish their municipality as “business friendly”. Few municipalities have a realistic strategy; fewer still have gone through the process of mobilizing their community’s leadership, forming some type of economic development board or committee, going through a rigorous analysis of strengths, weaknesses, and developing a strategy for protecting existing jobs and businesses and attracting or assisting new ones to grow. The return of municipal property by the national government would spur efforts in this direction by providing municipalities with certain assets from that mix that could be used to stimulate economic activity and create jobs; i.e. via public-private partnerships or concessions to develop certain activities, land for residential development with its implications for construction jobs and suppliers, etc. Some cities, with assistance from SLGRP are beginning to take such actions: the BID zones are an excellent example, as are the one-stop-shops/permitting centers that reduce the time required for registration of small businesses.

While this is not put forward as a silver bullet for economic development, municipalities definitely have a role to play; unfortunately, to date this potential is still largely latent. A follow-on local government program should catalyze local government potential for job creation and fostering local economic growth.

Public Procurement

The adoption of new public procurement legislation faced municipalities with the need to implement the new procedures and train staff to that end. The SLGRP moved swiftly and with great effectiveness to assist municipalities to fill that gap. Training modules were prepared and a series of workshops delivered which took municipality staff step by step, in real detail, through the various stages of implementation to the delight of the participants. Uniformly, procurement department professionals, with a great sense of relief, sang the praises of the SLGRP regarding assistance in preparing them to conduct procurement for the municipality under the new legislation.

The municipalities are finding that they are saving money with the new open bidding procedures. The law clearly promotes greater transparency, fairness and cost saving. Over time one could hope that the anti-corruption characteristics of the new procedures would improve the image of government before their citizens. One suggestion offered by at least two municipalities, Nisand Smederevo, was that training effectiveness would be increased if municipalities were grouped according to their size and sophistication for training.

The reaction of municipal staff clearly demonstrated that in this instance, certainly, the local government program was addressing a felt need and priority of the professional staff at the municipalities.

Information Technology.

The information technology component that has been employed by SLGRP is fundamental to the realization of other Program components. The implementation of the IT component has featured the provision of equipment, software and related training to ensure its proper utilization and its injection at specific points in Municipal operations where the Program was working to affect change. Frequently critical to the efficient utilization of the equipment, and future expansion of the network, the Program has also funded, the required new wiring framework in the municipal buildings. The IT component has been instrumental in mounting improvements such as connecting of MZs to the Citizen Assistance Centers, and special advances in Municipal operations such as the mounting of the “city-stat” system in Indjija. Perhaps more than anything else, the strong IT component of the SLGRP has speeded up and facilitated municipality entry to the world of modern municipal management.

Municipal Human Resource Capacity

The visits and multiple interviews conducted by the Team at the municipalities produced a few firm impressions concerning the situation regarding human resources. A high percentage of the mayors appeared to be solid, capable professionals, who want increased empowerment of municipalities in order to have greater scope to address local issues at the local level, and who are growing increasingly comfortable with more transparent operations. These mayors are characteristically assisted by a small, tight cadre of dedicated, hardworking, capable professionals. From this group the capacity of general municipal staff appears to fall off sharply.

Many of the SLGRP training and technical assistance efforts are directly reaching this latter group and slowly increasing skill levels around discreet task areas and working to inform their

performance regarding the changed nature of local government-citizen relations; the shift to service provision, and civil servant.

Municipal Capacity in Southern Serbia is Weak

All municipalities are not equal. For many years Southern Serbia did not receive the resources and investment that occurred in other parts of the country. This is also reflected in the municipal structures. In particular, the team did pick up a difference in attitudes and receptivity to new practices in Southern Serbian municipalities -- for instance in budgeting or in the management of communal enterprises. Some of the managers of municipal departments that we met in the South seemed more hesitant to do anything that wasn't an explicit directive from the republic government. On the other hand, it seemed to the team that municipalities in northern Serbia were more interested in pushing the envelope. This does have program implications in that SLGRP may need to do more to bring the southern municipalities up to the level of the counterparts in the North such as more exchanges between southern and northern municipalities.

IV. Recommendations

The transition to a more democratic governance system in Serbia must include increased empowerment and increased revenues to local governments to permit the solution of local problems and achievement of local priorities at the local level. Effective democratic local self-governance also requires/implies the functioning of responsive, transparent and accountable local governments which include established mechanisms for citizen participation and deliver services to acceptable community standards. Municipalities in Serbia are still quite short of that goal. The current SLGRP to date has been quite successful in improving the operating performance of a significant proportion of Serbian municipalities and favorably altering their perceptions of the local government-citizen paradigm, while encountering only very limited success in improving the legislative framework for local governments. USAID's comparative advantage in this sector, the sector's significance to the achievement of the Mission's objectives, and the impressive beginning and achievements of the SLGRP to date while acknowledging that much remains to be done, argue for follow-on programming.

To get the most out of future programming in the local government sector, the assessment team recommends the following:

1. Policy Reform

Both during the remaining period of the SLGRP and throughout the duration of a follow-on local government program, the effort, quality and range of in-puts directed to affecting the process (it is not an event) of reform and improvement of the legal framework for local government operations should be significantly increased. While it is perfectly clear that no amount of effort by a USAID local government contractor by itself ensures framework reform, it is equally clear that essentially limiting project efforts at policy reform to capacitating the Standing Conference to lobby, is, in the present Serbian political context and for the foreseeable future, woefully inadequate to the task. The Program's (and a follow-on program's) professionals, working in close collaboration with the Standing Conference to the maximum extent possible, must identify and cultivate for action and support, those potential and willing champions of local government reform; and here we are referring to individuals whose beliefs regarding the governance

structure of the country run deeper than the equivalent periodic ceremonial public support of virtue, motherhood, etc. In addition, explore the receptivity to the establishment of a Task Force for Local Government Reform, involving a broad array of key players, a la the highly successful activity in Albania. Successful fiscal decentralization will not result from a series of ad hoc national government actions, but rather, depends upon a well articulated strategy which reflects inputs from the full range of stakeholders and represents a political understanding regarding the definition of agreed upon long-term objectives. Bring in short term consultants of a caliber matching the degree of difficulty and criticality of the undertaking to develop and assist the Standing Conference in the implementation of a strategy to promote public support for local government empowerment, and also identify potential coalition partners, in addition to the most obvious which are the citizens themselves, and move towards effectuating and activating these potential coalitions for reform. Make strategic use of conferences on the problems constraining local government's ability to improve service-delivery, featuring solid media coverage, to elevate the discussion to the level of regional or national debate.

2. Standing Conference

The institution building effort being undertaken with the Standing Conference of Towns and Municipalities should be continued and deepened in order to bring them to the level where they can routinely and effectively carryout the advocacy and member service functions incumbent on them at an acceptable level. The Standing Conference is an important piece in the USAID strategy for the direction in which local government should evolve and the Team feels strongly that as such it should remain an active partner and recipient of USAID assistance at least until such time as the policy reform agenda starts to move and clarify. At a minimum, a follow-on program should:

- Deepen progress already achieved in having the Standing Conference operate as a true membership organization; strengthening membership voice through effective committee work; and significantly improved feedback communication with members on organization activities;
- Refine the process of development and adoption of a legislative agenda to ensure maximum support by the membership; increase the degree to which the Standing Conference's lobbying efforts are proactive and not primarily triggered in response to the latest moves by the Republic government.
- Develop the capacity within the Conference to secure or arrange for an increasingly wider range of possible services for members, rather than the Conference developing in-house capability in any one area at greatly increased cost to themselves;
- Assist the Standing Conference to develop a system of peer training; e.g. arrange a workshop where mayors who have successfully mounted "city stat" operations with SPLRG assistance would share with their peers the details, benefits, costs, etc. of such cutting edge undertakings;
- Provide technical assistance in the organization and use of coalitions, whose absence to this point has been painfully obvious and very costly, to enhance the possibilities of successful lobbying efforts; i.e. given the power implications and change in the governance paradigm which movement along the decentralization continuum represents, the chances for success are greatly enhanced if the Standing Conference is not alone, but

rather has other constituencies acting with it as it lobbies the Republic government for empowerment;

- Assist the Standing Conference to develop and execute a program of educating the citizens of municipalities, cities and towns at large to the need for empowerment of local governments and the citizen's stake in such reforms.

3. Grant Component

Any follow-on program of assistance to local governments should have a grant component. The current SLGRP is clearly handicapped by its absence; this notwithstanding the gallant efforts of the several CRDA implementers to seek ways to occasionally make possible collaboration and funding support for what are essentially integral components of the SLGRP program. The current arrangement constrains and hampers the SLGRP and distorts the community priority setting process, which drives CRDA. To be most effective, local government programs need grant funds to selectively move to demonstrations, to discrete catalytic expenditures, to provide the carrot for greater commitment, etc. The current arrangement is not a good alternative.

4. Communal Service Enterprises

Technical Assistance to communal service enterprises as provided by the SLGRP has, on the whole, been well received and has begun to produce modified and improved performance. Given the fundamental role of communal enterprises in the local governance equation, the Team strongly recommends that the new USAID/Serbia strategy contain a component, re-enforced by a grant-making element, which provides for deepening the work begun to improve their management and performance. Based on the full spectrum of their Serbia field visits and interviews, plus knowledge of the experiences of other, similar USAID local government projects throughout the E&E region, the Team is convinced that even within the current context and constraints on local government/communal enterprise operations; those current practices and systems, of a management, technical, administrative and customer relations nature, exhibit room for substantial improvement. Improved performance by communal enterprises, especially in water/sewage and solid waste must underpin any move to raise rates to a level of full cost recovery, including margins for needed investments. In the Serbian budget context, which holds out scant possibility of significant borrowing for infrastructure needs, rate structures producing full cost recovery would seem required to reduce excessive consumption spurred by cheap prices and provide funds required for higher levels of system maintenance and investment. A future program should consider making available, perhaps through the Standing Conference for a nominal fee, leak detection equipment for use by water and wastewater enterprises. The program could grant fund the purchase of 2 or 3 such kits, which would facilitate improved system maintenance by water enterprises, all of whom reported substantial water losses throughout their systems.

5. Citizen Participation

Under the current USAID strategy, there has been real progress in improving the relationship with citizens and their municipality, but more could be done. Collaboration between CRDA and SLGRP has created authentic cooperation that results in tangible improvements. Public Budget Hearings provide a venue for greater municipal openness and a place where citizens can make their voice heard. And, citizen advisory boards give citizens a greater role to play in solving local problems. The CACs have done wonders for improving the image of the municipalities. To

further expand the impact of our investment, the team recommends that USAID continue to encourage and institutionalize this type of citizen participation interventions. USAID could also push the citizen participation envelope a little further along the continuum. For instance, USAID could support the creation of municipal task forces whose job it is to analyze a specific local issue and make policy recommendations to the mayor and municipal assembly. These task forces would rely on expertise of citizens and the private to inform municipal decision-making.

6. Local Economic Development

The assessment team recommends that USAID include local economic development in future support to local government. Ask Serbian mayors about the challenges their cities face, and jobs will be one of the most common responses. In fact, the team found that many municipalities are trying to do something about economic development, despite constraints and limitations imposed by authority and resources still being centralized at the republic level. With better information and skills, municipalities could make much better choices about appropriate municipal economic development interventions. Local Economic Development is not about replacing the need for economic reform at the republic level, nor should it be an attempt for the government to carry out private sector functions. Instead, local economic development should be about educating municipal leaders about the appropriate role of the municipality in facilitating economic development and creating a better business climate. USAID could support local participatory processes that encourage partnership of various stakeholders (public, private, community, civic and business leaders) to create a strategic vision and undertake feasible action plans with the objective of increased investment and job creation/retention at the local level. Strategic economic development planning should also be accompanied by implementation support. Certainly, there is a great deal impacting economic growth that is beyond the control of municipalities. But, USAID's experience with SLGRP (like the BIDs or the one-stop-shops) has shown that municipalities have a role in local economic development.

While it is encouraging to see some Serbian mayors push the envelope to promote economic development, there is a risk that they may find themselves crossing the boundary of what they can do legally. USAID's focus should be on helping municipalities identify and implement realistic action plans that are within current municipal powers and authorities. Local economic development efforts should be accompanied by the development of a legislative agenda to address some of the key constraints (i.e. devolution of property) that municipalities face in improving the local economic environment and could also be tied in to the advocacy efforts of the Standing Conference.

7. Strategic Planning

To capacitate municipalities to optimize available budget revenues in the current circumstances and to prepare them for the possibilities which would open with the receipt of the additional authority and revenues flowing from legislative changes mandating increased fiscal decentralization and increased empowerment of local government, the new USAID/Serbia strategy document should provide for training and technical assistance in strategic planning, especially as it intersects with resource allocation and priority setting. This would be of significant immediate benefit and additionally permit local government to position itself to meet any Republic level requirements calculated to measure LG readiness to manage additional funds and which might be used to pace the receipt of additional powers and funds.

8. Asset Management

As part of the new Strategy's preparation for success in achieving objectives in the realm of local government empowerment, it is further recommended that in anticipation of eventual return to local government of property lost to the State under the Milosivic constitution, that a follow-on local government program provide for technical assistance in asset management. Local governments should be assisted to inventory and categorize their portfolios and trained to manage their assets in a manner to maximize service to citizens while employing certain assets to improve income. Proper asset management is a pillar of larger development planning, land use controls and directing growth.

9. Financial Management and Budgeting

As a general corollary to #8 above, the area of financial management, budgeting and internal auditing for local governments is one that will see a substantial number of changes and requirements in the near and medium term, and given its fundamental importance to sound management, is one where USAID should be prepared to provide technical assistance and support to facilitate needed adaptations and deepen staff performance capabilities.

10. Property Taxation

A number of interviews held by the Team would suggest that as part of its taxation policy adjustments, the Republic Government is seriously considering following institution of the VAT with changes in the Property Tax. Reportedly, the new system contemplated will see the basis for determining the individual tax liability shift from a spatial basis to an assessed valuation basis. This should result in marked increases in tax liabilities of individuals and may require a phasing –in of the new system to avoid a backlash of citizen protest. The municipalities will set tax rates, most likely within a band established by the Republic Government. The proceeds of the tax will go 100% to local governments, although tax collection responsibilities will remain with the State.

As part of the USAID strategy of support to local government, the Mission should be positioned to provide local governments with technical assistance in mounting the system for the modified property tax given its huge own source revenue potential. And while it appears to be SLGRP policy in the financial management and budget sphere of their technical assistance operations to assist municipalities respond to all changes in reporting or financial operations requirements, DAI would be well advised to get out front on what could be a demanding challenge and dedicate sufficient resources to identifying the requirements such a challenge would entail. Mounting an assessment based property tax system will entail significant training of staff in assessing property values, as well as in establishing some system for appeals.

11. Municipal Infrastructure Investment

In city after city, water supply, sewerage, solid waste and heating systems suffer from old and outdated systems. Alone, USAID and other donors could never do enough to help Serbian municipalities close the gap on their investment needs. The only way to scale up investment in municipal infrastructure is to mobilize private investment. But there are a number of legislative and institutional constraints to municipal borrowing. For one, local governments by law are only able to borrow 20 percent of their prior year budget and even then, they require republic

government sign-off. Poor cost recovery, failure to restore to municipalities property lost to the State under the Milosivic constitution, and poor management of communal enterprises make it an even more challenging endeavor. Where there is lending to municipalities (i.e. EBRD), it only goes to Belgrade and a few other large cities.

The assessment team believes that there may be another rung of cities (below the largest and most prosperous) that, with the proper support, would have the capacity to carry a loan for infrastructure investment if such opportunities existed. USAID could support these cities to help them become more credit-worthy and with packaging specific infrastructure projects. The Mission might want to consider the initiation of credit ratings as a means measuring municipalities against other investment opportunities in Serbia. The results of these ratings could be used to guide further technical assistance.

The team also recommends that USAID/Serbia consider the use of credit enhancement -- including use of DCA or grants -- to help reduce the risk for private banks or create incentive for multi-laterals to start investing in municipalities. It's likely that this would require working with key players in the Serbian financial and capital markets to develop their knowledge of municipal infrastructure finance and the products they can offer to municipalities or project finance structures. Without the availability of investment funds, there would be little incentive for cities to work towards credit worthiness and/or improve debt management capacity. EBRD has already expressed interest in working with USAID to expand the Bank's activities in municipal infrastructure investment.

Another option is to explore the development of "pooled financing facilities" along the lines of the U.S. State Revolving Funds or State Bond Banks which borrow from the capital markets on behalf of a pool of municipalities in order to reduce transaction costs of borrowing and spread the risk of defaults. Pooled financing has helped many small US cities and towns afford to borrow for their relatively small infrastructure investments that would have been otherwise ignored or over-priced by the market, even when the town's credit rating is not in the top bracket.

The main caveat for this recommendation, however, is that there are still a number of legal and regulatory constraints that must be resolved before municipal infrastructure could really take off in Serbia.

12. Public Procurement

The very successful and greatly appreciated assistance which the SLGRP has provided to Municipalities in the area of implementation of the new public procurement law should be followed-up with assistance aimed at: consolidating the new systems installed; improving skills in preparation of tenders and measuring compliance with conditions and criteria; assisting municipalities in finding ways to communicate to their citizens the anti-corruption benefits of the new legislation and procedures being employed by municipalities regarding procurement of goods and services, in an effort to increase citizen confidence in municipality handling of public funds; and drawing from interactions with municipality procurement staff areas where the legislation may need fine-tuning and feeding this into the Standing Conference for promoting legislative action.

13. Domestic Capacity

The current USAID local governance program is well on its way to developing, testing out and modifying specific models and practices to improve municipal service delivery, public-private partnerships and citizen participation. As word spreads concerning the success of these practices, more and more municipalities are interested in putting them to use. For some innovations, such as Business Improvement Districts, municipalities will likely need technical assistance and matching grant resources to make them work in their cities. For other practices, municipalities may even be able to implement them on their own without external consultants or resources. To facilitate the scale up of good municipal practices, USAID should put emphasis in their next strategy on the hand over of these innovations over to established and viable Serbian organizations (such as the Standing Conference). Of course, it will be important to first develop “prototype” programs, work out any legal or technical issues and ensure that the intervention makes sense for Serbian municipalities. By handing these practices over to local organizations, along with the relevant training, USAID will reduce the reliance on US contractors to deliver municipal technical assistance and reduce the cost of implementing these new practices. For the time being, Serbian municipalities will still need the support from external donors, but eventually they may start implementing some of these practices with their own resources. USAID shouldn’t wait until then to start transferring the skills and knowledge to local Serbian organizations.

14. Peer Training

The SLGRP is producing a series of products that are worthy of dissemination/replication; (some of which are at or nearing ripeness), both within the universe of municipalities participating in the program as well as those not so favored. The Team recommends that DAI employ the peer training method where practicable to accomplish this transfer. Municipal leadership and key municipal staff were seen to represent a rich talent pool easily capable of presenting to their peers the different facets and nuances of establishing a city stat system, or designing the complete package which is the Citizen Assistance Centers. Municipalities that have excelled in a given component should be urged to host sessions for other municipal leaders and relevant staff for purposes of dissemination/replication. Mayors from the south of the country, where development clearly lags, would benefit from experience sharing visits to other parts of Serbia to view first hand what is possible and what has been achieved under the aegis of the SLGRP.

15. Management Seminars

Mayors need quality seminars on modern management to equip them to more effectively do their jobs and lead their communities. Given their importance in the current and the new governance scheme at the local level, it is essential that they improve their management skills, as well as begin to absorb and inform their executive performance with the philosophy imbedded in modern management systems and techniques.

V. Priority Recommendations

The Team strongly recommends the continuation of assistance and support to Serbian municipalities and cities during the new strategy period. Transition to a more democratic society, and functioning democratic local self-governance requires, among other things, legally dismantling the centralized Milosevic governance system. Local governments require additional technical assistance to perform their current responsibilities at higher levels of effectiveness and

efficiency, fully convert to a public service mentality, and ready themselves for the increased responsibilities and authorities coming with devolution and some degree of fiscal decentralization.

Taking into account the possibility of a significant reduction in upcoming funding levels for USAID/Serbia, the team reviewed its recommendations in the context of just such a “belt tightening” scenario with a view toward identifying those core program components that, as a minimum, should be contained in a follow-on local government program.

1. Policy Reform

For the orderly and successful development of a more democratic system of governance, it is essential to have policy reform which results in the establishment of a legal framework which has the State return to local governments their properties which were taken by the Milosevic constitution, and creates increased fiscal decentralization and empowerment of local government. Democratic, local self-governance requires that local governments have the legal authority and requisite level of resources to address local problems and issues at the local level. While it is perfectly clear that no amount of effort by a USAID local government contractor in and of itself ensures policy reform, it is equally clear that essentially limiting Program efforts at such reform to capacitating the Standing Conference of Towns and Municipalities to lobby, is, in the current Serbian political context, woefully inadequate to the task. The follow-on local government project in addressing the critical imperative of policy reform, must employ a strategy and pattern of its implementation which, while allotting to the Standing Conference a high profile role, additionally involves a wide variety of actions to generate support and pressure for change. These would include, but not be limited to identifying and attempting to enlist potential champions of local government reform at the Republic government and Parliamentary level; exploring the receptivity to, and facilitating establishment of a task force type body, involving a broad array of key players from relevant ministries and local government to work on a plan for local government reform. This latter suggestion reflecting our recognition of the fact that successful fiscal decentralization will not result from a series of ad hoc national government actions, but rather, depends upon a well articulated strategy reflecting in-puts from the full range of stakeholders and more than anything else, represents a political agreement, a successful negotiation, regarding the extent of decentralization and the definition of long term objectives. Policy reform efforts should also involve strategic injection of short-term consultants of a caliber matching the degree of difficulty and criticality of the undertaking to develop and assist the Standing Conference in the implementation of a strategy to identify and effectuate coalition partners. A campaign should be designed and mounted to educate citizens to the current constraints on local government and why it is in their interests to actively support change. The actions recommended by the Team do not imply or require large outlays of USAID funds, but rather the utilization of experienced competent professionals unleashed on the issue.

Comment: This recommendation is based on the Team’s assumption that there will be a follow-on local government project given the critical role of local government in the transition to a more democratic system of governance, and the further assumption that long term development of any such more democratic system of local self-governance must be anchored in a legal framework, and further that USAID, because of its prominence and high visibility leadership in this sector is the logical and most credible spearhead.

2. Improving Municipal Capacity for Managing and Accessing Resources

The team chose this as one of its top recommendations because of its critical importance in paving the way for greater municipal control over resources (fiscal and property) and increased access to investment capital for municipal infrastructure. All too often, central governments use the lack of capacity at the local level as an excuse for their failure to decentralize. Serbian municipalities need to get out in front of this and begin to build their capacity for managing resources, so that they don't fall into that trap. Even without much progress towards decentralization, local governments can still improve their position and operations with the deepening of skills that this technical assistance would produce.

As municipalities are empowered with greater authority and resources, they must have systems and staff who can effectively plan for and manage these resources. As the process of fiscal decentralization unfolds, there will likely be numerous changes in laws and procedures and local governments must be able to keep up and implement these changes. Good budgeting also implies strategic planning to allocate resources according to well thought out priorities. And, in anticipation of the eventual return of municipal property, local governments will need assistance in inventorying and categorizing their portfolio and developing criteria for future decisions about property utilization and disposition. Proper asset management is one of the pillars of good municipal planning and economic development.

Greater financial management and budgeting capacity would also improve municipalities' ability to manage debt so that they can make the much needed and overdue investments in critical infrastructure such as water and sanitation, heating and the like. Currently investment finance for municipal infrastructure is only available to the largest and most prosperous cities in Serbia. With assistance in improving their credit worthiness and the preparation of bankable project proposals, USAID could help other cities access much needed capital investment. The other side of this equation is, of course, the availability of municipal investment capital. To meet this need, USAID should explore the use of DCA or other credit enhancement methods for leveraging capital from private or multi-lateral lending institutions. In any case, municipalities by law are limited to borrowing only 20 percent of their prior year budget. This limitation would need to be addressed for municipal infrastructure finance to really take off.

3. Consolidated Local Government Program

In the context of seriously shrinking budgets, the permanence of local government and their role and responsibilities, and the CRDA programs successful exposure of local government leaders and staff to hands-on collaboration and dealings with community groups, the Team recommends that at the completion of the current CRDA program the activity, as a separate grant funded program be allowed to lapse and the community development activities associated with CRDA, now funded at a much lower level, be implemented through a grant mechanism of the follow-on Local Government Program.

The SLGRP and CRDA have worked very well in tandem, and CRDA has succeeded in its mission to provide hope through visible improvements, to organize and support community activities and community development, and to empower communities to satisfy community prioritized needs and desires, frequently in collaboration with local governments and

increasingly with local government budget support and participation. This activity has embodied citizen participation and increasingly responsive local government. Local governments have increasingly been exposed to collaboration with community groups expressing their priorities; mayors have seen the self interest in having their community benefit from projects that the local government acting alone could not presently realize; and local governments have supported, through increasing budget support and other wise, and recognized their own self-interest, in the successful achievement of community priorities. Many of the CRDA supported activities are conducted in areas inherently the responsibility of local government. The two program activities should be consolidated within a local government follow-on program designed to contain an expanded grant facility capable of undertaking a modified continuation of CRDA- type community development activities characterized by very tight local government-community cooperation.

Comment: This recommendation assumes first, that many of the original CRDA objectives will have been achieved by the completion of the Program; second, that increasing USAID budget constraints force severe reduction of a potential CRDA follow-on even should the Mission wish to continue the effort, and support consolidation of what was previously a tandem effort under the local government umbrella in the interest of management unit reduction; and third, these functions properly correspond to local government and should be located under that rubric, and now that CRDA and SLGRP acting in tandem have set the preferred context for the community-local government interface in this area and trained communities and local government in its practice, it is appropriate to unite them under the aegis of a Local Government Program follow-on.

4. Local Economic Development

Economic development is among the biggest challenges facing municipalities. Many Serbian cities are facing restructuring, privatization and/or closure of industry that is almost certainly going to end up in job losses. While municipalities play little to no role in the disposition of these companies, citizens expect their municipal leaders to do something. In fact, the team found that many municipalities are trying to do something about economic development, despite constraints or limitation imposed by authority and resources still centralized at the republic level.

With better information and skills, municipalities could make much better choices about appropriate municipal economic development interventions. Local Economic Development is not about replacing the need for economic reform at the republic level, nor should it be an attempt by the municipal government to carry out private sector functions. Instead, local economic development should be about educating municipal leaders about the appropriate role of the municipality in facilitating economic development and creating a better business climate. USAID could support local participatory processes that encourage partnership of various stakeholders (public, private, community, civic and business leaders) to create a strategic vision and feasible action plans with the objective of increased investment and job creation/retention at the local level. Strategic economic development planning should also be accompanied by support for the implementation of the plan.

While it is encouraging to see some Serbian mayors push the envelope to promote economic development, there is a risk that they may find themselves crossing the boundary of what they

can do legally. USAID’s focus should be on helping municipalities identify and implement realistic action plans that are within current municipal powers and authorities. Local economic development efforts should be accompanied by the development of a legislative agenda to address some of the key constraints (i.e. devolution of property) that municipalities face in improving the local economic environment and could also be tied in to the advocacy efforts of the Standing Conference.

5. Property Taxation

A number of interviews held by the Team with respected sources would suggest that as part of its taxation policy adjustments, the national government has under serious consideration following institution of the VAT with modifications in the Property Tax. Reportedly, the modified system under consideration will see the basis for determining individual tax liability shift from the current spatial basis to an assessed valuation basis. This should result in immediate, marked increases in tax liabilities of individuals and accordingly may necessitate a phasing in of the new system to avoid the backlash of citizen protest. Cities, towns and municipalities would receive 100% of the proceeds of the property tax. The municipalities would set tax rates, most likely within a band set by the national government. And while initially such a tax change would most strongly favor the larger cities and towns, in the longer term this change represents a potentially very significant source of own source revenues for cities and municipalities and as such, USAID should assist municipalities cope with the new challenge.

As part of the USAID strategy in support of local government, any existing USAID funded local government program should be positioned to provide local governments with the technical assistance and training required to mount the system for the modified property tax given its huge own source revenue potential. Mounting an assessment based property tax system will entail significant training of staff in assessing property values, as well as in establishing some mechanism and system for appeals of assessed valuations.

Comment: This recommendation assumes that even with a budget enforced contraction in the scope of a follow-on Local Government Program, USAID will remain the premier technical supporter of local government among all donors and therefore best positioned to undertake such an activity; and the U.S. has competitive advantage in this area, since property tax is a major source of total revenues, not merely own source revenues for most US cities and therefore we have outstanding capability in consulting capacity in this area.

6. Communal Services Enterprises

Continued emphasis in the next USAID strategy on improving the management of communal service enterprises will result in improved services and greater citizen confidence in local government’s ability to serve them. In the medium and long term, this will also feed into the success of decentralization efforts. As citizens see that municipalities can do a good job at managing local development, they will be better advocates for municipal empowerment.

Technical assistance to communal enterprises provided by the current SLGRP has, on the whole, been well received and produced improved performance of key services. Even within the current constraints on local government/communal enterprise operations, improvements can be made in management, technical operations and customer service. Improved services, especially

in solid waste and water/sewerage, must underpin any attempt to move towards fuller cost recovery. In turn, full cost recovery is also a pre-requisite to better maintenance of the existing infrastructure, and will facilitate municipal borrowing and local government's access to investment finance.

It is the team's recommendation that a grant fund be made available to help municipalities purchase much needed equipment and as a much needed incentive for improving operations and cost recovery. Another option is to provide some equipment, e.g. leak detection equipment, perhaps through the Standing Conference, that could be rented by municipalities for a nominal fee.

VI. Donors Active in Serbia Local Government Sector

USAID's SLGRP is certainly the largest, and probably the most well-known, local governance reform program in Serbia. Although there are at least 10 other donors working on municipal development or local governance reform issues in Serbia (and the LG assessment team met with most of them) none of them have the combined scale and breadth of SLGRP. Although it was outside the boundaries of this assessment to evaluate the successes or deficiencies of these other donor programs, it was apparent that there is good complementarity between SLGRP and the other donors, and possibilities for continued collaboration. It is quite clear, however, that without USAID assistance to local governance in Serbia, there is no other donor prepared to pick up this important area of assistance.

None of the other donor-funded programs even remotely reach the scale (most are working in only a handful of municipalities) and breadth (most may be working with a few municipalities on a single issue – i.e. social policy, strategic planning, solid waste) of SLGRP. The largest of the other donor programs operating in Serbia is the EAR supported Municipal Support Program in Eastern Serbia, which is spending roughly 18.5 million Euros on a two-year program that works in 15 municipalities in Eastern Serbia and the Standing Conference of Towns and Municipalities. The main emphasis on this municipal support program is on assisting the municipalities with participatory strategic planning and the funding of specific projects for the implementation of the strategic plan. Other programs, such as GTZ's work on modernization of specific municipal services or DFID's social policy partnerships in 4 municipalities emphasize specific, albeit critical, issues. SLGRP is the only program that is fairly comprehensive – addressing management, transparency, citizen participation service delivery and investment needs of municipalities. In fact, some of the donors that we met with commended SLGRP's comprehensive approach and commented on USAID's technical leadership in local governance reform in the Europe and Eurasia region. A list of donors interviewed and brief description of their assistance in local governance is provided in Annex 3.

At least 5 or 6 of the donors working in this sector are providing direct support to the Standing Conference of Towns and Municipalities. This is generally a positive development as it demonstrates that the Standing Conference is proving itself as a viable, well organized and capable organization that represents the interest of municipalities. The risk, on the other hand, is that such zealous donor support may cloud the Standing Conference's own priorities and interfere with their ability to serve and represent their members.

Feedback from the various donors operating in the Serbia municipal sector points to the need for greater donor coordination. Many saw this as role that the Standing Conference should be playing, but their previous attempts at donor coordination have not been very effective. More effective donor coordination could also open the way to a more concerted effort to compel forces at the republican level to take their strategy for municipal empowerment more seriously.

Annex 1: SLGRP Program Areas

SLGRP provides assistance to municipalities in seven program areas as described below.

Financial Management – Two year training program with classroom training followed up by hands-on technical assistance, development of national finance and budget reference guide

Citizen Participation – Activities include participatory planning; communications training; the establishment of business improvement districts, one-stop permitting centers, citizen assistance centers, municipal/citizen task forces

Communal Enterprise Management – Two year training program with classroom training followed up by hands-on technical assistance

Information Technology- Provision of IT equipment to support other program areas, wiring, related software and training

Public Policy Reform – Provision of technical support, regional experiences, municipal officials/public input to support GOS fiscal and functional decentralization initiatives

Association Development – Provide technical and material support to promote the institutional development of an effective and sustainable national municipal association

Public Procurement – Provide technical assistance and training to support full implementation of the Public Procurement Law and establish more transparent and accountable government interaction with contractors, vendors and other independent or private service providers.

Annex 2: Persons Interviewed

	Place	Name	Position	Organization
1.	Bajina Basta	Milutin Simic	CRDA	CC "Kik"
2.	Bajina Basta	Ljiljana Zaric	CRDA	CC "Lug"
3.	Bajina Basta	Aleksandar Jeftic	IT	Municipalities
4.	Bajina Basta	Aleksandra Raonic	Public Procurement	Municipalities
5.	Bajina Basta	Boban Tomic	Mayor	Municipalities
6.	Bajina Basta	Dragan Panic	Public Procurement	Municipalities
7.	Bajina Basta	Nada Tesic	Head of Finance	Municipalities
8.	Bajina Basta	Vera Cvijovic	Economic Issues	Municipalities
9.	Belgrade	Boris Begovic	Vice President	Center for Liberal Studies
10.	Belgrade	Zoran Vacic	President	Center for Liberal Studies
11.	Belgrade	Dragan Obrenovic	Communal Enterprise Adviser – SLGRP	DAI
12.	Belgrade	Ejonta Pashaj	Citizen Participation Team Leader – SLGRP	DAI
13.	Belgrade	Eva Jandlova	Citizen Participation Adviser – SLGRP	DAI
14.	Belgrade	Jovica Damnjanovic	Citizen Participation Adviser – SLGRP	DAI
15.	Belgrade	Michael Pillsbury	Deputy Chief of Party – SLGRP	DAI
16.	Belgrade	Steven Rosenberg	Chief of Party – SLGRP	DAI
17.	Belgrade	Velibor Milovanovic	Financial Manager Adviser – SLGRP	DAI
18.	Belgrade	Ana Redzic	Social and Health Project Manager, Department for International Development	DFID, British Embassy
19.	Belgrade	Katarina Kovacevic	Project Manager, Department for International Development	DFID, British Embassy
20.	Belgrade	Bogetic		EAR
21.	Belgrade	Wout Soe		EAR
22.	Belgrade	Ulf Hindstrom	Senior Banker Infrastructure	EBRD
23.	Belgrade	Jadranka Jelincic	Executive Director	Fund for an Open Serbia (OSI)
24.	Belgrade	Dusan Dinic	Deputy Project Manager, Regional Coordinator for Serbia, Montenegro, Kosovo, Macedonia, Albania	Friedrich Naumann Stiftung
25.	Belgrade	Rainer Willert	Head of Project	Friedrich Naumann Stiftung

26.	Belgrade	Detlef Hentschel	Project Manager	GTZ
27.	Belgrade	Dr Siegfried Brenke	Team Leader “Modernization of Municipal Services”	GTZ
28.	Belgrade	Jesse Brunck	Chief of Party	IRD
29.	Belgrade	Akira Sano		Japanese Aid
30.	Belgrade	Mazen Fawzy	Chief of Party, CRDA	Mercy Corps
31.	Belgrade	Mr. Branko Stipanovic	Finance Ministry Department	Ministry Department
32.	Belgrade	Mr. Zoran Loncar	Minister	Ministry of Public Administration and Local Self Government
33.	Belgrade	Vesna Ilic-Prelic	Deputy Minister	Ministry of Public Administration and Local Self Government
34.	Belgrade	Aleksandar Arsenijevic	Deputy EB President	Municipality
35.	Belgrade	Aleksandar Novkovic	Finance, economy and public procurement	Municipality
36.	Belgrade	Biljana Mirovic	Deputy Head of Administration	Municipality
37.	Belgrade	Branimir Kuzmanovic	EB President	Municipality
38.	Belgrade	Dragan Djordjevic	IT	Municipality
39.	Belgrade	Dragoslav Popovic	Finance, economy and public procurement	Municipality
40.	Belgrade	Dubravka Stankov	Communications	Municipality
41.	Belgrade	Gordana Miljkovic	Head of Administration	Municipality
42.	Belgrade	Ivan Buncic	IT	Municipality
43.	Belgrade	Jelena Jež	Communications	Municipality
44.	Belgrade	Milena Milošević	Mayor	Municipality
45.	Belgrade	Radmilo Belic	Deputy Mayor	Municipality
46.	Belgrade	Slavica Svilar	Finance, economy and public procurement	Municipality
47.	Belgrade	Vladimir Medakovic	Communications	Municipality
48.	Belgrade	Mark G. Davison	Acting Head of Mission	OSCE
49.	Belgrade	Andreas Accardo	Parliamentary Programme Coordinator	OSCE
50.	Belgrade	Hannelore Valier	Head of Democratization	OSCE
51.	Belgrade	Zorana Markovic	Senior Governance Training Assistant	OSCE
52.	Belgrade	Salim Abado	Finance Officer	OSCE
53.	Belgrade	Frank Yorke	Head of Administration/Finance	OSCE
54.	Belgrade	Ian Campbell	Head of LED	OSCE

55.	Belgrade	Fokert Milch	Acting Head of ROL	OSCE
56.	Belgrade	Edward Kabina	Programme Manager	OSCE
57.	Belgrade	Virginie Jouan	Head of Media Department	OSCE
58.	Belgrade	Karsten Friis	Political Advisor	OSCE
59.	Belgrade	Dusan Vasiljevic	Head of E & E	OSCE
60.	Belgrade	Mijat Damjanovic	President – Public Administration and Local Government Center PALGO	PALGO
61.	Belgrade	Ralph Mono	Development Programme Section	SIDA, Sweden Embassy
62.	Belgrade	Tomislav Novovic	Programme Manager Specialist	UNDP - SIDA
63.	Belgrade	Art Flanagan	GDO – General Development Officer	USAID
64.	Belgrade	Mark Pickett	GDO – General Development Officer	USAID
65.	Belgrade	Michael Enders	GDO – Chief	USAID
66.	Belgrade	Sergej Anagnosti	Program Management Specialist	USAID
67.	Belgrade	Lazar Sestovic	Economist – Country Office for Serbia and Montenegro	World Bank
68.	Indjija	Slavko Puaca	Communal Enterprise director	Communal Enterprises
69.	Indjija	Uros Curuvija	Communal Enterprise director	Communal Enterprises
70.	Indjija	Vladica Dragosavljevic	Communications	Communal Enterprises
71.	Indjija	Biljana Stojic	Pub. Procurement	Municipality
72.	Indjija	Bojana Alfirovic	CAC	Municipality
73.	Indjija	Brana Lazarevic	Econ. Issues	Municipality
74.	Indjija	Goran Jesic	Mayor	Municipality
75.	Indjija	Gordana Bosnic	CAC	Municipality
76.	Indjija	Gordana Tisma	Head of finance	Municipality
77.	Indjija	Ivana Krstic	Public procur. and Economic issues	Municipality
78.	Indjija	Mile Bodrozcic	IT	Municipality
79.	Indjija	Sinisa Filipovic	EB President	Municipality
80.	Indjija	Stela Bozic CAC	CAC	Municipality
81.	Indjija	Petar Janjic	CDG Group – CRDA	MZ Indjija
82.	Indjija	Savo Opacic	CDG Group – CRDA	MZ Indjija
83.	Indjija	Gordana Filipovic	CDG Group – CRDA	MZ Novi Karlovci
84.	Kragujevac	Zorica Lazarevic	Community Board CRDA	Community Board "Bubanj" (KG

				U 04)
85.	Kragujevac	Radovan Jovanovic	Community Board CRDA	Community Board "Bubanj" (KG U 07)
86.	Kragujevac	Ana Radojevic	CAB (Citizen Advisory Boards)	Municipalities
87.	Kragujevac	Andreja Stefanovic	IT	Municipalities
88.	Kragujevac	Biljana Petrovic	Head of Finance	Municipalities
89.	Kragujevac	Branko Jovanovic	Communications	Municipalities
90.	Kragujevac	Miroslav Paunovic	Economic department	Municipalities
91.	Kragujevac	Nikola Spasic	Economic issues	Municipalities
92.	Kragujevac	Snezana Djordjevic	W/WW company PR manager	Municipalities
93.	Kragujevac	Vlatko Rajkovic	Mayor, SC president	Municipalities
94.	Kragujevac	Zoran Kostadinovic	Public Procurement	Municipalities
95.	Kragujevac	Aleksandar Nenkovic	GDO FO Manager	USAID
96.	Kraljevo	Mirjana Kostovic	CRDA	Community Board "Vitanovac" (KV R 06)
97.	Kraljevo	Mirjana Prodanovic	CRDA	Community Board "Zelengora" (KV U 02)
98.	Kraljevo	Vera Petrovic	CRDA	Community Board "Zelengora" (KV U 02)
99.	Kraljevo	Darko Vilotijevic	Deputy Mayor, Communications	Municipalities
100.	Kraljevo	Jasminka Stojanovic	Head of finance	Municipalities
101.	Kraljevo	Milomir Prodanovic	Public Procurement	Municipalities
102.	Kraljevo	Mladimir Novakovic	economic issues	Municipalities
103.	Kraljevo	Radmila Vladislavjevic	CE general manager (former SLGRP/DAI employee)	Municipalities
104.	Kraljevo	Slavko Veskovc	IT	Municipalities
105.	Kraljevo	Margerit Louis Misteli	Resident Team Leader	Swiss MD Donor
106.	Lazarevac	Dragi Markovic	Director of the Communal Enterprises	Communal Enterprise
107.	Lazarevac	Miroljub Nikitovic	Director of municipal Construction Enterprise	Communal Enterprise
108.	Lazarevac	Zoran Radivojevic	Technical Director of the Communal Enterprises	Communal Enterprise
109.	Lazarevac	Dragi Markovic	General Manager of the communal enterprise (public utility company)	Municipality

110.	Lazarevac	Ljubodrag Milivojevic	EB Member	Municipality
111.	Lazarevac	Miodrag Petrovic	public procurement	Municipality
112.	Lazarevac	Miroljub Nikitovic	Director of municipal Construction Enterprise	Municipality
113.	Lazarevac	Olivera Jovanovic	Head of Finance Department	Municipality
114.	Lazarevac	Veljko Mihailovic	Vice – Secretary	Municipality
115.	Lazarevac	Zoran Radivojevic	CE Deputy General Manager	Municipality
116.	Nis	Slavisa Dinic	CDC Member - CRDA	
117.	Nis	Cedomir Vasic	CAC and BID manager	
118.	Nis	Danijela Veselinovic	IT Department	Municipality
119.	Nis	Dragan Antic	PR	Municipality
120.	Nis	Finazeti Pantic	Head of IT department	Municipality
121.	Nis	Goran Ciric	Mayor	Municipality
122.	Nis	Ljubomir Petrovic	Assembly Vice-Secretary	Municipality
123.	Nis	Milan Radenkovic	System Administrator IT Department	Municipality
124.	Nis	Milena Nedeljkovic	Budget officer	Municipality
125.	Nis	Nebojsa Rancic	Vice president of the Executive Board, International Affairs	Municipality
126.	Nis	Nebojsa Stojanovic	Head of the Financial Department	Municipality
127.	Nis	Nebojsa Vasic	BID	Municipality
128.	Nis	Sasa Miljkovic	Media Center Director	Municipality
129.	Nis	Snezana Jovanovic	Public Procurement	Municipality
130.	Nis	Toplica Djordjevic	President of the Executive Board	Municipality
131.	Nis	Zeljko Mrcic	Software developer	Municipality
132.	Nis	Zorica Simic	Head of Economic Department	Municipality
133.	Nis	Danijel Dasic	USAID FO Manager	USAID
134.	Nis	Milica Spasic	Secretary	USAID
135.	Novi Sad	Djordje Boljanovic	GDO FO Manager	USAID
136.	Presevo	Samet Latifi	Community Facilitator	CHF
137.	Presevo	Besnik Sadiku	Public Procurement	Municipality
138.	Presevo	Eshtref Arifi	Head of Finance	Municipality
139.	Presevo	Mentor Januzi	Comunication	Municipality
140.	Presevo	Riza Halimi	Mayor	Municipality

141.	Presevo	Ruzhdi Junuzi	Economic Issues	Municipality
142.	Smederevo	Dejan Zorkic	CRDA Citizen Board	
143.	Smederevo	Novica Djurdjevic	CRDA Citizen Board	
144.	Smederevo	Verica Disic	CRDA Citizen Board	
145.	Smederevo	Aleksandra Djurovic	Senior Advisor for Commercial Affairs	Municipality
146.	Smederevo	Dobrica Jovanovic	President of the Local Government	Municipality
147.	Smederevo	Ivica Jovanovic	IT Department	Municipality
148.	Smederevo	Jasna Velickovic	IT Department	Municipality
149.	Smederevo	Lela Vukosavljevic	Chief of Finance Office	Municipality
150.	Smederevo	Milijana Novakovic	Secretary of the Municipal Assembly	Municipality
151.	Smederevo	Predrag Milutinovic	IT Department	Municipality
152.	Smederevo	Slobodan Miladinovic	Mayer	Municipality
153.	Smederevo	Snezana Savic Stojiljkovic	Chief of Finance Economic Office	Municipality
154.	Smederevo	Spomenka Djurovic	Senior Assistant for Commercial and General Affairs	Municipality
155.	Smederevo	Vida Naumov	Head of Economy and Finance Department	Municipality
156.	Uzice	Radmila Gujanic	CRDA	CC "Bela Zemlja"
157.	Uzice	Milan Colic	CRDA	CC "Carina"
158.	Uzice	Radmila Janusevic	CRDA	CC Krcagovo
159.	Uzice	Dragoljub Kostic	Water and wastewater CE gen. man.	Communal Enterprises
160.	Uzice	Zoran Živkovic	Solid waste communal enterprise gen. man.	Communal Enterprises
161.	Uzice	Gordana Urosevic	CAB	Municipalities
162.	Uzice	Jelena Markovic	IT	Municipalities
163.	Uzice	Ljiljana Jovanovic	Public Procurement	Municipalities
164.	Uzice	Milojka Sekulic	CAC	Municipalities
165.	Uzice	Milomir Sredojevic	Economic issues	Municipalities
166.	Uzice	Slavica Krstic	Head of Finance	Municipalities
167.	Uzice	Slavko Lukic	EB President	Municipalities
168.	Uzice	Srdjan Petrovic	Communications	Municipalities
169.	Uzice	Dragan Tanaskovic	GDO FO Manager	USAID
170.	Vranje	Boško Stoilkovic	Communal enterprises	
171.	Vranje	Boža Đorđević	Communal enterprises	

172.	Vranje	Perica Mihajlovic	Communal enterprises	
173.	Vranje	Predrag Milosavljevic	Public Communal Enterprise	
174.	Vranje	Bogan Stankovic	Economic Department	Municipality
175.	Vranje	Dragica Nasitic	Head of Budget and Public Procurement	Municipality
176.	Vranje	Miroljub Stojcic	President of the Municipal Assembly	Municipality
177.	Vranje	Svetomir Mihajlovic	Public Procurement	Municipality
178.	Vranje	Vesna Miletic	Communications	Municipality
179.	Bujanavac	Auni Beciri	CDC Members – CRDA	MZ Samoljica
180.	Bujanavac	Lukman Limani	CDC Members – CRDA	MZ Samoljica
181.	Bujanavac	Naseri Janiu	CDC Members – CRDA	MZ Samoljica
182.	Bujanavac	Aleskic Stanka	CDC Members – CRDA	MZ Zuzeljica
183.	Bujanavac	Dragan Stosic	CDC Members – CRDA	MZ Zuzeljica
184.	Bujanavac	Marjan Nikolic	CDC Members – CRDA	MZ Zuzeljica
185.	Bujanavac	Mika Mitrovic	CDC Members – CRDA	MZ Zuzeljica
186.	Vranje	Javier Alvarez	SSMIRP Team Leader – South Serbia Municipal Improvement and Recovery Programme	UNDP
187.	Vranje	Michael Scott	Programme Adviser – Municipal Improvement and Revival Programme – MIR	UNDP
188.	Vranje	Thomas Thorogood	Programme Manager – Municipal Improvement and Revival Programme – MIR	UNDP
189.	Zajecar	Erfried Neubauer	Team Leadr – Municipal Support Programme Eastern Serbia	GTZ & FIDECO
190.	Zajecar	Vladan Jeremic	Program Managing Director- Municipal Support Programme Eastern Serbia	GTZ & FIDECO
191.	Zrenjanin	Ljupka Bojovic-Cvejic	Communications and BID manager	Municipalities
192.	Zrenjanin	Milan Cezek	Mayer	Municipalities
193.	Zrenjanin	Zivica Paravodic	CDG Group – CRDA	MZ Botos
194.	Zrenjanin	Adam Bugar	CDG Group – CRDA	MZ Ecka
195.	Zrenjanin	Vladimir Ivkovic	CDG Group – CRDA	MZ Veljko Vlahovic

Annex 3: Documents Reviewed
(To be completed)

Constitutional basis for addressing the issue of local government property in Serbia, Standing Conference of Towns and Municipalities

Memorandum on the Subject: "Niška Varoš Business Improvement District" - 2004 Business Association Management Program, Nis Municipality, February 2004.

Municipal Finance Working Group, UNDP, May 2003

Overview Of The Law On Prevention Of The Conflict Of Interest, May 6, 2004.

Poverty Reduction Strategy Paper for Serbia, World Bank.

Serbia Local Government Reform Program Powerpoint Presentation, DAI, June 2004

Serbia Local Government Reform Program, Semi-Annual Report #5, prepared and submitted by DAI, April 30, 2004

SLGRP Accomplishments to Date, February 20, 2004.

SLGRP Survey of Serbian Mayors, May 2004

SLGRP Top Ten List

Strategic Plan of The Standing Conference of Towns and Municipalities of Yugoslavia, Belgrade, December 6, 2002

Annex 4: Acronyms

(To be completed)

SLGRP

USAID's Serbia Local Government Reform Program

CRDA

USAID/Serbia;s Community Revitalization through Democratic Action Program

BID

Business Improvement District

DAI

Development Alternatives

CAC

Citizen Assistance Center

CRDA

Community Revitalization through Democratic Action

DCHA/DG

USAID/Washington Office of Democracy and Governance

EGAT/PR/UP

USAID/Washington Urban Programs' Team

Mz

MESNA ZAJEDNICA

Mk

Mesna Kancelarijas

Annex 5: Donor Activities in the Serbia Local Government Sector

Donor	Current LG Assistance	Support to Standing Conference?	Approximate Funding Levels	Partner Ministries	Partner Municipalities	Future Plans
EAR	<p>Municipal Support Program in Eastern Serbia working in 15 municipalities on participatory strategic planning. Grant funding for up to 70 infrastructure, local economic development and institutional capacity projects identified in municipal strategic plans. Just started 14 month program with Standing Conference in three areas: (1) analysis of laws and draft laws that go before parliament to determine impact on municipalities;</p> <p>(2) lobbying for parliamentary committee on municipal affairs;</p> <p>(3) issuance and dissemination to municipalities of legal bulletin to share information on new laws and provide standard ordinances that could be used by municipalities.</p>	Yes	<p>250,000 Euro for Standing Conference Support (over 2 years)</p> <p>2.5 million Euro for technical cooperation grant</p> <p>12.5 million Euro Grant Financing</p> <p>3.3 million Euro municipal contributions (financial and in-kind)</p>	Ministry of Public Administration and Local Self Government	<p>Babusnica, Bela Palanka, Bokjevac, Bor, Crna Trava, Dimitrovgrad, Kladovo, Knjazeacc, Majdanpek, Negotin, Pirot, Sokobanja, Srljig, Vlasotince, Zajecar</p> <p>(Eastern Serbia)</p>	Program ends in September 2005; likely to initiate follow-on 2-year program.
DFID	Social Policy Project in 4 municipalities to establish municipal-citizen partnerships and the development of Community Assistance Plans	Standing Conference is Member o National Reform	3 million pounds over 3 years 700,000 pounds for project fund	Ministry of labor, employment and Social Policy,	Krajevo, Bor, Uzice, Zemen	Program ends in July 2005

Donor	Current LG Assistance	Support to Standing Conference?	Approximate Funding Levels	Partner Ministries	Partner Municipalities	Future Plans
	(CAPS); Each municipality can receive project funds for health sector, capacity bulidng, education or employment (not infrastructure); GIS system established in all 4 municipalities to improve planning at the municipal level (GIS hasn't been well utilized)	Programs Steering Committee		Ministry of Health, Ministry of Education, Min of Finance, Ministry of Public administration and Local Governance		
SIDA	Funds program implemented by UNDP to develop capacity of standing conference. Assistance includes (1) development of new management system for Secretariat; (2) Training and Policy Advice to various boards of Standing Conference; and (3) development of municipal training center (still in planning stage. Role of the municipal training center will be as a resource center and facilitation (may not do training themselves.)	Yes	\$750,000 for 1 ½ years		N/A	Current project ends in May 2005. Will likely continue assistance
GTZ	(1) Working in 15 small municipalities with populations less than 20,000 and water and integrated municipal waste	yes	1 million Euro for 2 years. Small municipality	Ministry of Environement	Nic, Kraguevics	

Donor	Current LG Assistance	Support to Standing Conference?	Approximate Funding Levels	Partner Ministries	Partner Municipalities	Future Plans
	management; (2) Restructuring of communal enterprises in Nisand Kraguevics; (3) work with standing conference on municipal advisory center.		program – 300,000 euro; co-financing of projects for small municipalities up to 25,000 Euros each.			
WB	Only peripherally through a few pilot programs focusing on health and employment.	No	N/A			Public Administration Reform -- Concentrating at central government level for the time being.
EBRD	Financing Municipal Infrastructure in Novi Sad, Nisand Kraguevics (water and waste water treatment) and Belgrade (water supply, district heating and urban transport).	No	5 -6 million euro loans to each city (Belgrade more)		Belgrade, Novi Sad, Nic, Kraguevics	Plan to finance a waste water treatment plant in Subotica. Considering working with commercial banks to establish lines of credit for lending to municipalities; contemplating repeat business

Donor	Current LG Assistance	Support to Standing Conference?	Approximate Funding Levels	Partner Ministries	Partner Municipalities	Future Plans
						with Belgrade & Novi Sad w/out state guarantees
OSI	Grant to Standing Conference to train 50 small municipalities on communication with donors and fundraising; fiscal decentralization initiative (FDI) will start in Serbia starting 2005 to prepare think tanks and policy institutes to work on fiscal decentralization issues; work with four municipalities and public health authorities to develop local public health policies in Pancevo, Sombor, Sabac and Loznica; management of multi-ethnic communities;	Yes.	\$15,000 for Standing conference program; usually spend about \$200,000 a year on these types of municipal initiatives	N/A	Pancevo, Sombor, Sabac, Loznica on public health, Roma program municipalities TBD	2005 will be decade of Roma and will launch initiative related to help municipalities develop improved policies and improve service delivery to roma..
OSCE	Support to municipal assemblies and handbook for local councilors. Will work in 9 target municipalities to train elected officials on the budget process; community policing	Working with standing conference on their program with municipal assemblies	200,000 Euro for programs with municipal assemblies			Have a menu of projects that they'd like USAID to fund.
Swiss	Doing small scale project in 5 – 6 municipalities; did some finance and budgeting				5 to 6 municipalities in/around Kraljevo	Second stage will concentrate on planning and strategy development

Donor	Current LG Assistance	Support to Standing Conference?	Approximate Funding Levels	Partner Ministries	Partner Municipalities	Future Plans
JICA	Not working in Local Government Sector		N/A	N/A	N/A	N/A
Friedrich Naumann Found.	Not working in Local Government Sector					