

Mid-Term Review Report

Local Government for the 21st century Project in Serbia 2020-2024

September 2023

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List of Abbreviations

BIS	Business Information System
CHF	Swiss Frank
COVID	Coronavirus disease
CSO	Civil society organization
EC	European Commission
EU	European Union
IMC	inter-municipal cooperation
LSG	Local Self-Government
LSGRP	Local Government Reform Program
MPALSG	Ministry of Public Administration and Local Self Government
NAPA	National Academy for Public Administration
OECD-DAC	Organization for Economic Co-operation - Development's Development Assistance Committee
O&M	Operation and maintenance
PAR	Public Administration Reform
PPS	Public Policy Secretariat
RDA	Regional Development Agency
SECO	Swiss Secretariat for Economic Affairs
SCO	Swiss Cooperation Office
SDC	Swiss Development Cooperation
SIDA	Swedish International Development Cooperation Agency
SCTM	Standing Conference of Towns and Municipalities
TA	Technical assistance
ToR	Terms of reference
UNDP	United National Development Program
WG	Working Group

Executive Summary

This report reflects on the results of the Mid-term Review of the Swiss Development Cooperation (SDC) funded project “Local Government for the 21st century” (2020-2024). The project aim is “Systemic reforms towards strengthened local governments in line with the Public Administration Reform (PAR) Strategy, leading to more efficient local self-governments (LSG), better services, participatory-democratic processes and evidence-based planning at the local level to the benefit of men and women in Serbia”.

The Review was conducted in August 2023 and concluded the following:

Under Coherence

- The Project is implemented in the framework of the Swiss Cooperation Strategy 2022-2025 and builds on previous investments in the local governance domain. It is fully aligned with the existing policy commitments of the key national counterparts – the Ministry of Public Administration and Local Self Government (MPALSG) and the Public Policy Secretariat (PPS). Along with supporting the strengthening of national frameworks, the project coherently supported the national counterparts in implementing instruments that help to improve local governance practices, specifically in the area of planning and inter-municipal cooperation (IMC).
- The links between different local governance-related projects under the Swiss Cooperation Program 2022-25 have been conceptualized but are less obvious at the operational level. This is less critical at the national level where the Local Government for 21st Century project is rather unique. At the local level, the existing geographic and thematic labor division between the projects compensates for it.
- The direct mode of project implementation by state agencies has not been supportive of close cooperation with other international projects: synergies with other international interventions are ensured mainly through the Standing Conference of Towns and Municipalities (SCTM) that implements many of them.

Under Relevance, Effectiveness and Sustainability

Outcome 1. An enhanced legal and policy framework and the use of efficient organizational models and IMC lead to strengthened and better performing LSGs.

- The Program Document for the LSG Reform 2021-25 was the first strategic document reflecting the commitment of the Government of Serbia to systemic change. It was successfully developed and adopted in line with the Law on Planning Systems. TA inputs of the SDC project along with insistence on meeting public participation standards were highly relevant and appreciated by different stakeholders. Main components of the LSG reform promoted and supported through the project were sustainably integrated into the Program for the LSG Reform.
- To support the LSG Reform implementation, the LSG Reform Action Plan 2021-23 was developed and its execution has begun with the project effectively investing into preparatory analysis related to LSG competencies and functions (building on the work from the previous project phase).
- Building on functional analysis and work related to modeling organizational improvements, the project issued grants to selected municipalities with different levels of development and population size to apply these models. Seven municipalities benefited from the Functional Organizational Model Fund. Benefiting municipalities refer to improvements (especially in cases of establishing new services or expanding staff), but tangible benefits of re-organization are not systematically captured through the project monitoring system. Although organizational changes are still recent, anecdotal evidence is already available

about their positive effects in terms of more efficient LSG functions fulfillment, better service provision and image of LSGs.

- The IMC Fund managed to benefit 53 LSG units, outperforming the LSG Reform Action Plan indicator on IMC. The project experience shows that for the IMC model to be widely applied at the local level, along with policy and legal frameworks, political willingness, vision of tangible administrative, social or economic benefits, regional development perspective and regional facilitation are important success factors.

Outcome 2. Improvements to the Laws on Local Elections, Referendum and Civic Initiatives lead to strengthened democratic processes at the local and national level.

- TA and legal assistance provided by the project to drafting the Law on Amendments to the Law on Local Elections and the Law on Referendum and Civic Initiative contributed to successful adjustment of the laws. Both laws laid the basis for strengthened democratic processes at the local and national levels in line with the European standards. The laws were consulted widely within the government, with the LSGs (through SCTM) and met the minimal standards for public consultations according to the national regulations. The dynamic of the new laws implementation is still to be monitored.

Outcome 3. Evidence-based decision-making and planning is improved based on an upgraded and sustainable BIS for LSGs with full functionality for all users.

- The Business Information System (BIS) for LSGs was significantly improved during in the past few years. However, the project is not catching up with the expected dynamics of growth of system users. So far, the system is more utilized by state public employees than by LSG units, who are less aware of its utility for their planning and management purposes.
- Elaboration of three development plans was supported in line with the Law on the Planning System with the use of LSG BIS data and community involvement. However, they focus mainly on infrastructure (which is the main concern for many communities) and are not much different in quality from the development plans of other LSG units. The LSG ability to translate these plans into annual plans and budgets is still to be monitored.

Under Efficiency, Management and Coordination

- The project is slightly behind the implementation schedule due to the COVID-19 pandemics, national elections in Serbia and changes in the government. The pandemic and change of communication formats, however, affected activities related to outreach and experience exchange.
- The project has been using funding efficiently and managed to make savings. Currently, it is not fully meeting its financial disbursement targets due to savings made and some delays in activities implementations due to the above-mentioned reasons.
- The direct implementation model has been beneficial in terms of ownership and sustainability of the project outcomes, direct relations with the government counterpart and overhead costs, but it is labor intensive for the SDC staff and is not supportive of strategic and operational coordination with other projects and development partners, nor of efficient documentation and knowledge management.
- The recent internal re-organization of the Ministry and shift of responsibilities for LSGs is not expected to have a major impact on the project and the LSG reform, but its further impact needs to be closely monitored.

Based on its findings and conclusions the Review made recommendations pertaining to the consolidation of the project's success and for future SDC programming. The recommendations relate to:

- Staying involved into the LSG domain to be associated with the success of the reform, given the previous long-term investment;

- Provide support to MPALSG in the elaboration of the new Action Plan 2024-25 for the Local Government Reform Program and its implementation (in order to ensure succession and continuity), as well as to building its aid coordination capacity;
- While focusing support to MPALSG on policy, regulatory and aid coordination issues, emphasize analytical reflections, knowledge management and scaling up in the partnership with SCTM;
- Continue applying the direct implementation model as a good value for money, but consider adjustments related in performance-based disbursement (based on performance in the implementation of the Action Plan) and the secondment of a neutral person (a non-state employee) to the management of MPALSG;
- Ensure proper analysis of IMC with focus on lessons from each IMC models for their practical application and for the national regulatory process;
- Secure further monitoring of supported IMC and where needed assist in consolidation of their legal and organizational sustainability;
- Capture through the project monitoring system the benefits of investments into LSG functional re-organization;
- Advocate for establishing a Financial Instrument at MPALSG that would stimulate re-organization, optimization and innovative local governance and public service management approaches in LSG (where organizational optimization and IMC should be the main focus);
- Consider the added value of linking IMC to regional development and public-private partnership and activating the role of regional service providers (like Regional Development Agency - RDA, especially where they are more capable of supporting LSGs);
- For consolidating the SDC's investment in PPS's work on BIS and local development planning, a national information campaign on increasing awareness of the BIS among local authorities will need to be conducted.
- The existing development planning methodologies and guidelines may need to be adjusted to support the operationalization of the upcoming National Development Plan at the local level;
- In the longer run, PPS should invest in identifying and bringing to the attention of policymakers the bottlenecks that hinder effective local development planning;
- The project should use the remaining time to ensure a minimal level of visibility of project results and awareness among national and international stakeholders;
- In the future program, SDC should elaborate more explicitly operational links between projects in its governance portfolio to gain the maximum impact and visibility of "Swissness".

1. Background

1.1 Brief General Context

The on-going political, economic, and social transitions in the Republic of Serbia has been led by the European Union (EU) integration agenda, which has been challenging in the context of the growing geopolitical tensions and foreign policy alignment between Europe, Russia, China and Turkey. The national presidential and parliamentary elections of April 2022 and the establishment of the new Government in October 2022 did not change the composition of political parties in power but allowed several opposition parties of different political affiliations to enter the Parliament. The frequent changes of the Government, and the fact that over the past six years not a single cabinet finished its term, have significantly impacted the policy-making processes. The elections, short mandates, and frequent government reshuffles, together with the consequences of the COVID-19 pandemic has had a considerable impact on the reforms at both central and local levels.

Serbia's European integration is conditioned by stabilizing relations with Kosovo and the implementation of a reforms package to align with European requirements. Two years ago, the process for Serbia's accession to the EU was subject to changes, due to the new EU enlargement methodology followed by the global COVID-19 related crises and later the war in Ukraine. During 2021, Serbia adjusted its negotiation structures to the revised enlargement methodology requiring greater focus on fundamental reforms, stronger political guidance and increased reform dynamics.

The PAR is among fundamental reforms improving the functioning of the governance system in Serbia at all levels. Serbia enacted the PAR Strategy and Reform Program 2021-2025. The last EU Progress Report from 2022 assessed the reform progress as "limited", and qualified Serbia as "moderately prepared".¹

There are evident problems in the performance of local self-government in Serbia, which ultimately hinders the overall PAR and Serbia's move towards EU membership. The majority of EU regulations are implemented at sub-national levels of public administration, and regional and local authorities in EU countries are among the main beneficiaries of European Development Funds as they are central for securing quality of life of citizens, infrastructure development and economic growth.

1.2 Local Self-Government Reform Challenges

Serbia is still a fairly centralized country, characterized by a high level of executive powers and responsibilities at the national level (only 12.5% of the Serbian budget expenditure is at the local government level), concentration of the population and wealth in the capital on the background of depopulation in rural areas, and the inability of many smaller municipalities to fulfill their functions.

A comprehensive reform of the local self-governance system has only recently been on the agenda of the Government, although a number of recent reforms and developments had positive impacts for local self-government (e.g. return of public property to municipalities, taxation reforms, digitalization and increase of administrative efficiency under the General Administrative Law), and some improvements are registered through such instruments as the Local Transparency Index, Good Governance Index and Citizens' Satisfaction Survey.

A comprehensive reform would have to address a set of serious systemic constraints that challenge the LSGs development in Serbia:

¹ <https://neighbourhood-enlargement.ec.europa.eu/system/files/2022-10/Serbia%20Report%202022.pdf>

- One of the key problems is the negative effects of a predominantly *monotype system of LSG* (uniformed "the same tasks for all LSGs" approach), in which small municipalities are not in a position to implement all their tasks and large municipalities and cities do not take on many tasks that are of local interest and which they can execute. In the reforms implemented in the area of local self-government in the past, demographic trends in the last half century were not analyzed from the perspective of their impact on the sustainability of the LSG system. Municipalities and cities have operated under the same territorial framework for more than half a century, and the same functional framework, regardless of their size or capacity.²
- Performance of many LSGs is hampered by an *inadequate organization*, not well suited to effectively serve their citizens and the economy, and also hampered by inefficient management, low administrative capacities and lack of adequate human and technical resources.
- A significant number of municipalities, especially in the areas that are underdeveloped and affected by the outflow of the population, have major problems with *financing performance* of their key functions and responsibilities (communal services, education, social and health care, culture and sports). The LSG financing system lacks stability and predictability.
- Structural weaknesses of the *local electoral system* is linked to: closed blocked electoral lists (resulting in depersonalization of representatives, the distancing from the citizens and fundamental locking to the position of their respective political parties); absence of direct voting (the possibility for voters to elect the candidates in the electoral lists according to their preference); deformation of the territorial representation as a consequence of the single constituency; fragmentation of the system of political parties (both elective and parliamentary); scheduling local elections together with presidential and parliamentary elections.
- *Direct democracy practices* are under-developed. This concerns referendums, citizen initiatives, petitions, consultative processes, assemblies of citizens for parts of a local area, submitting complaints and proposals and other forms of civil participation in local decision-making and local governance affairs foreseen by the Additional Protocol to the European Charter of Local Self-Government.

Although there is a scope of decentralization of competences and responsibilities to LSGs, the key challenge is not related to the insufficient level of decentralization. From a comparative point of view, local self-governments in Serbia have significant competences and many important responsibilities at the local level. Decentralization continues to evolve, but it faces challenges that require different solutions (e.g., technical modernization, digitalization, professional standards in specific areas, functional re-organization and finding new forms of providing services, developing infrastructure and economy, responding to changing needs of communities). Longer-term planning and horizontal cooperation between LSGs will be instrumental in this context.

2. Review Objectives, Scope and Methodology

In terms of the scope, the Review covered all project activities implemented under the “*Local Government for the 21st century*” (2020-2024). The project aim was formulated as “Systemic reforms towards strengthened local governments in line with the PAR Strategy, leading to more efficient LSGs, better services, participatory-democratic processes and evidence-based planning at the local level to the benefit of men and women in Serbia”. The aim was pursued through three objectives that are the subject of the current Review:

² The most obvious example of the ratio of the largest (City of Belgrade) and the smallest LSG unit (Crna Trava) by size of population is 1000:1.

- *Outcome 1 (led by MPALSG)*: An enhanced legal and policy framework and the use of efficient organizational models and inter-municipal cooperation lead to strengthened and better performing LSGs;
- *Outcome 2 (led by MPALSG)*: Improvements to the Law on Local Elections and the new Law on Referendum and Civic Initiatives lead to strengthened democratic processes at the local and national level.
- *Outcome 3 (led by PPS)*: Evidence-based decision-making and planning is improved based on an upgraded and sustainable Business Intelligence System for LSGs with full functionality for all users.

The External Review assessed the project progress in line with the **following OECD-DAC evaluation criteria** (for detailed questions see the Review Terms of Reference in Annex 1):

1. *Coherence* that implies project alignment with the policy commitments of MPALSG and PPS, its place among other contributions to the local government reform in Serbia, and synergies with other interventions supported by Switzerland and other donors.
2. *Effectiveness and efficiency*, looking at progress towards achieving project objectives, including implementing LGRP and practical improvements in the functioning of LGs and the LG system at local level as a result of the project investments (including in terms of functional re-organization of LGs) and contribution of new regulations on IMC to IMC application across the country.
3. *Relevance*, reflecting on the issue of participation and analytical inputs in the decision-making process – both in the law/ regulations adjustments at the national level (in particular in relation to the Revised Law on Referendum and popular initiatives) and in the elaboration of Local Development Plans in three pilot municipalities.
4. *Sustainability*, involving the current and future role of the MPALSG as a driver of the LSG reform (also in the context of the recent re-organization of the Ministry), future prospects of IMC in the country and the Business Intelligence System (Database of LG indicators) supported by the project.

As for **transversion themes**, along with assessing the application of good governance principles through the project, the Review was to reflect on aspects of gender equality and social inclusion where applicable.

The **Review team** included two consultants – Olena Krylova as the international team leader and Olivera Puric as the national consultant. The Review took place in September 2023.

Methodologically, the review drew on a mix of evaluative techniques, including:

- a) desk review of key background documents, project progress reports and M&E data, relevant legislative documents and analytical reports;
- b) individual and groups semi-structured interviews with main stakeholders at national, regional and local levels, project staff, SDC and other development partners active in the PAR and LSG domain;
- c) field visits to selected municipalities, where the project was invested in IMC, functional re-organization or in local development planning, combined with interviews of local stakeholders;
- d) on-line Focus Group Discussion with representatives of municipalities targeted by the project.

3. Findings and Conclusions

3.1 Overall Coherence

The Project is implemented in the framework of the Swiss Cooperation Strategy 2022-2025 and builds on previous investments in the local governance domain. It is fully aligned with the existing policy commitments of the key national counterparts – MPALSG and PPS. Along with supporting the strengthening of national frameworks, the project coherently supported the national counterparts in implementing instruments that help to improve local governance practices, specifically in the area of planning and IMC.

Switzerland has been providing support in the area of local self-governance in Serbia for the last 15 years; and it remained an important domain of its programmatic interventions. Under the Cooperation Program 2022-2025, Switzerland focuses on the democratic quality of local governance processes (transparent, accountable, participatory, effective) as well as local public financial management and social protection.

Since 2015, MPALSG with its Department for Local Self Government and the Public Policy Secretariat (PPS) remains the main national counterpart of SDC, which receives direct financial contributions for funding activities related to LSG reform and modernization of local governance.

The Project Local Government for 21st Century 2020-2024 in particular contributes to the realization of two outcomes of the Swiss Cooperation Strategy Serbia 2022–2025:

- *Outcome 1.1:* Responsive and accountable institutions – transparent and accountable local and national institutions meaningfully involve citizens in decision- and policy-making and increase awareness and capacities regarding environmental protection and climate change;
- *Outcome 1.2:* Enhanced local services for all – local authorities and CSOs provide effective and sustainable services leaving no one behind.

The project builds on the previous support to MPALSG and PPS and continues providing direct support to both institutions. The MPALSG’s component allows the Ministry to advance the local governance reform through the adjustment of legal frameworks (the laws on referendums, local elections and IMC) and through piloting improvements related to functional-organization issues and IMC through competitive Funds. The PPS’s component supports development of the LSG Business Information System (BIS) and pilot local development plans using the BIS.

All project interventions are in line with the policy commitments of both national government institutions that are meant to ensure the efficient response of Serbia and its LGs to EU accession requirements. It assists in the implementation of the key national policy documents (such as the Strategy for Public Administration Reform 2021-2030 and Local Self-Government System Reform Program 2021-2030) and framework laws (such as the Law on LSG, Law on Local Government Financing, Law on General Administrative Procedure, Law on Employees in LG and Autonomous Provinces and other laws regulating LSG tasks).

Moreover, the project gives adequate attention to supporting the national counterparts in both – further policy-making and legal adjustments of the existing national frameworks and systems, and in piloting implementation of innovations and improvements in concrete LSG units.

“We appreciate that the support of SDC to the Ministry is not limited to the law-making and technical expertise but extends to enabling us to stimulate the actual application of approaches, institutional re-organization and inter-municipal cooperation, that demonstrate considerable improvements in local governance.” – a representative of MPALSG/ project team

At the local level, the project coherently enables each national partner to demonstrate the application of two instruments that are particularly crucial for advancing local governance in the country:

- *Local sustainable development plans* that are to be adopted by LSGs according to the Law on Planning System from 2018. The law is overseen by the PPS. The law regulates the public policy management system and medium-term planning, and for the first time it formally prescribes a comprehensive methodological framework and classification of planning documents. The Law specifically elaborates the obligations of LSGs to make a Local Development Plan and a Medium-Term Plan (that operationalizes the Local Development Plan). The laws also provide wider space for citizen engagement in developing planning. Very few LSGs in Serbia have such development plans, and this is mostly because current data availability is relatively low (limited data, limited local analytical capacities) which hampers efficient planning processes with LSGs in Serbia. Results-based management is not yet a practice in LSGs. Data and records at LSG level are found in many different state institutions and are often not publicly available. Due to insufficient analytical capacities in LSGs, interpretation and analysis of data is limited and inadequate, with no support at local and republic level in this area.
- *Inter-municipal cooperation* as a way of overcoming functional and financing shortcomings, as well as providing cheaper and more efficient services is currently under-utilized in Serbia. IMC is not sufficiently developed due to the absence of state incentives, lack of experience and fears of LSGs related to "losing influence" on the work of joint institutions, complicated legal and financial arrangements, risks of overpaying costs and unsettled obligations to LSGs. Although there is no single law governing this area, the legal framework in Serbia does not prevent IMC. It is regulated or initiated through several strategic frameworks, such as the national Sustainable Development Goals 2030, Waste Management Strategy 2010-2019 and the Water Management Strategy 2034. The amendments to the Law on LSG from 2018 provided a much more comprehensive legal framework for the establishment and development of IMC. Following the adoption of the mentioned amendments to the Law on LSG, SCTM in cooperation with MPALSG elaborated a Methodological Guide for IMC for 15 LSG functional themes. Models were also developed for two forms of IMC – delegation of tasks and joint service. The main task is now to implement these provisions and stimulate LSGs to apply IMC in practice.

The links between different local governance-related projects under the Swiss Cooperation Program 2022-25 have not been conceptualized. This is less critical at the national level where the Local Government for 21st Century project is rather unique. At the local level, the existing geographic and thematic labor division between the projects compensates for it. The direct mode of project implementation has not been supportive of close cooperation with other international projects: synergies with other international interventions are ensured mainly through SCTM that implements many of them.

Along with the *Project Local Government for 21st Century*, there are other projects funded by SDC/SECO in the framework of the Cooperation Program 2022-25:

- *Partnership for Good Local Government* (2023-2026), which is implemented by SCTM and supports the Committee in the implementation of its Strategic Plan 2022–2025 that allows the SCTM to represent effectively LSGs of Serbia at the national and international/ EU level, conduct advocacy and analytical work, provide expertise to the LSG reform process and strengthen capacities of LSGs across the country through its advisory, consultancy and training work. The project builds on the previous institutional support to strengthening organizationally SCTM.
- *Municipal Economic Development III - Responsible Local Finance and Citizen Involvement 2021–2025* implemented by Helvetas. The project invests into inclusive local participation of citizens in decision-making to provide improved demand-based service delivery, and revenue management. It covers 100 Serbian LSGs.

- *PRO Local Governance for People and Nature 2022-2026* implemented through a UN Fund led by UNOPS in partnership with UNICEF, UNFPA and UNEP. The project supports 99 LSGs of the Western Serbia and Sumadija, and South and East Serbia regions to address the issues of good local governance, social inclusion and environment.
- *Local Government Finance Reforms II 2019-2023*, which is financed by SECO and implemented by the GDSI and Maxima Consulting. The project in its second phase contributes to the improvement of subnational public financial management through the introduction of performance management and managerial accountability, and improving relevant national frameworks. The partners of the RELOF II project are 48 municipalities and cities, four ministries, and the "European Affairs" Fund of the Autonomous Province of Vojvodina.
- *Green, Livable, Resilient Cities in Serbia Program 2021-2025* is part of the WB Sustainable and Regional Development Global Umbrella Program supported by the Swiss Government. The Program aims at supporting selected cities in Serbia with planning and implementing sustainable, low-carbon and resilient urban development programs, and at providing the national government with policy recommendations and suggested actions to facilitate the implementation of Sustainable Urban Development Strategy. It also supports cities and municipalities in the solid waste management sector.

Although all SDC projects make their valuable contribution to the Swiss Cooperation Program 2022-25 linkages between them have not been operationalized. The *Local Government for 21st Century* project is the rare one among them that works at the national level and is the only one that supports the state agencies directly (without an intermediary in the form of an external implementing agency). Where the projects overlap geographically at the local level, there is little space for duplication since SDC projects work on different sectoral areas and promote different mutually re-enforcing local governance approaches and instruments.

Several other development partners also contribute to local governance development in Serbia through:

- *Exchange 6 Program 2021-2024*, implemented by SCTM with EU funding that supports improvement of planning and financial management processes of LSGs (mid-term development planning and budgeting support to 20 municipalities and public internal financial control in 10 LSGs).
- *Sustainable and inclusive service delivery at local level 2022-2025* funded by SIDA and implemented by SCTM in partnership with the Swedish Association of Local Authorities and Regions. The program concentrates on hands-on support for services provided to citizens and businesses (municipal support packages) to selected municipalities with focus on: environment, disaster risk reduction, gender equality and local economic development (female entrepreneurship) in line with EU standards and revised national legislation and policies.
- *The Green Agenda for the Western Balkans 2022-2026* funded by SDC and EU and implemented by UNDP in cooperation with the Embassy of Sweden and the European Investment Bank in partnership with the Ministry of the Environment. It supports the growth strategy for the region that aims to tackle the challenges of climate change and green transition in line with the environmental regulations with the European acquis.

It should be noted that, although SDC is well aware of the other international interventions and they are in principle completable and not duplicating each other's efforts, the direct mode of project implementation by the state agencies has not been supportive of closer cooperation with other international projects, which have many other counterparts with which the state agencies have their own legacy of relations. Moreover, it turned out that some international agencies active in the local governance domain are not even aware of the SDC direct support to MPALSG and PPS. At the same time, the Review team saw that synergies with other international projects are ensured mainly through SCTM – the implementing partner of most international projects in the area of LSG in Serbia.

3.2. Progress by Outcomes: Relevance, Effectiveness and Sustainability

Outcome 1. An enhanced legal and policy framework and the use of efficient organizational models and IMC lead to strengthened and better performing LSGs.

The Program Document for the LSG Reform 2021-25 was the first strategic document reflecting the commitment of the Government of Serbia to systemic change. It was successfully developed and adopted in line with the Law on Planning Systems. TA inputs of the SDC project along with insistence on meeting public participation standards were highly relevant and appreciated by different stakeholders. Main components of the LSG reform promoted and supported through the project were sustainably integrated into the Program for the LSG Reform. (Outcome 1/Result 1)

The Program Document for the LSG Reform that the program supported through the provision of TA to the MPALSG was highly relevant and developed as measure 1.2 of the PAR Action Plan 2018-2020. It serves as a good basis for planning of future TA at the national level as setting it into practice is still required and it requires elaboration of various by-laws, regulatory provisions and guidance.

*“The LSG Program 2025 is the first national framework document that provided a comprehensive LSG reform vision and suggested systemic changes in the functioning of the LSG system in Serbia. Now at least we can act on many fronts and re-shape the system in line with the EU standards.”
– a representative of SCTM.*

This work built on the previous SDC support to MPALSG and focused on: a) conducting additional analyses to inform the Program preparation (in particular, related to some LSG competencies), and b) organization of a consultative process to ensure key stakeholders’ engagement. The consultation process included: formal intra-governmental consultations (collecting opinions of ministries and public agencies); review of the draft by relevant European Commission structures; and two rounds of public debates. According to the interviewed national stakeholders the consultations were organized with the involvement of experts and LSG representatives and met the standards of the Law on the Planning System of the Republic of Serbia with its principles of transparency and accountability. The drafting process was publicly announced, and the members of the WG established to draft the document, along with representatives of relevant ministries and state bodies, including representatives of the non-governmental sector and experts. The engagement of experts and LSG units into the process of consultations was mainly structured through SCTM. Both MPALSG and SCTM confirmed that drafting of the Program and organizing the public hearings with experts and LSG representatives went well, thanks to well-established collaboration between the two institutions, which is also attributable to the SDC previous investments in their capacity-building and cooperation.

“Till recently, the local government reform was low on the national agenda and MPALSG was always a weak link in the Government. It is extremely important that the Ministry is shaping up and has access to needed expertise through the SDC project. We are getting a more solid counterpart.” – a representative of development partners.

“We praise SDC a lot for supporting both – our Association and the Ministry – for the last eight years. This enabled us to have constructive partnership relations. Reforming a local governance system is a very political and complex task which requires longer-term investment. SDC has been the rare partner to resource this process throughout.” - a representative of SCTM.

At the same time, the project reports mention the challenge of organizing hearings during the Covid-19 pandemics to discuss the LSG Reform Program and the Action Plan; this was to a large extent balanced by active involvement of LSGs through SCTM and the use of on-line webinars (e.g. 288 participants representing LSGs, NGOs and other stakeholders join the webinar public hearing conducted early 2021).

Another challenge was to align with the wider work on the elaboration of new PAR Strategy and Program 2021-2025; this was led by different thematic Working Groups (WG), which were going in parallel and of which the LSG Reform Program 2025 was an integrative part.

As a result, the LSG Reform was recognized under the Specific Objective 7 of the PAR Strategy and Program 2021-2025. According to the interviewed experts, in the framework of this wider process the LSG Reform Program³ managed to include effective measures for: redefining of the position and role of LSG in the overall governance system; implementing the subsidiarity principle in line with the European standards; enhancing participation of citizens and local communities in the decision-making process; improving the local government financing system (including stability, predictability and adequacy of local government revenues); developing capacity of local governments and optimization of their organization based on local needs; long-term planning of local development (including in the economic domain); increasing efficiency of local government and public service provision (with focus on quality and availability of services to citizens and economy); advancing inter-municipal cooperation and improving inter-governmental relations.

Finally, an important indicator of sustainability is the fact that the main components of the LSG reform promoted and supported through the project were integrated into the Program for LSG Reform and the Action Plan 2021-2023, namely:

- Improving representation of citizens in local assemblies and strengthening the capacity of local administration to conduct local elections (measure 1.2);
- Improving the legal framework and procedures for direct citizen participation in local governance affairs (measure 1.3);
- Organizational and functional optimization of LSG units and standardization of organizational forms established by LSGs for the implementation of their competencies and tasks (measure 3.3);
- Continuation of the development of IMC for the implementation of local self-government competencies (measure 3.4);
- Reform of local government development planning (measure 3.5).

To support the LSG Reform implementation, the LSG Reform Action Plan 2021-23 was developed and its execution has begun with the project effectively investing into preparatory analysis related to LSG competencies and functions (building on the work from the previous project phase).

(Outcome 1/Result 1-2)

The project supported various analyses that were identified as priorities for the implementation of the Action Plan, including:

- *Analysis of tasks performed in priority areas defined in the Unified Task Inventory* on a sample of 42 LSG units in six areas (environmental protection, agriculture, social welfare, education, culture, housing). The analysis contributed to the development of indices envisaged in the PAR Strategy 2030 related to measuring availability, quality and level of users' satisfaction with services provided by LSGs, which are important for effective supervision of LSGs performance, as well as identification of capacities required to perform these tasks and re-distribution of tasks between different levels of government.
- *Updated list of LSG tasks and a list of responsibilities at all levels of government was compiled*, which is an important input for analysis of tasks performed by LSGs, financial and human capacities needed for new tasks and which is used in the adjusting regulations on LSG's own and delegated competencies. Recently, using the same LSG sample, the unique list of local level

³ The Program for the Reform of the Local Self- Government System in the Republic of Serbia for the Period 2021-2025 adopted in July 20212 ("Official Gazette of the RS", no. 73/21).

tasks was updated in 49 areas⁴.

- *Ex-ante analysis of the position, functions and performance of the Administrative Districts and regional units of the line ministries*, which resulted into recommendations on functions redistribution and expanding the role of administrative districts (in particular, in relation to their potential public administration tasks and supervision functions, broadening their competence, establishing IMC and unifying individual LSG jobs at the district level to execute certain tasks in areas larger than cities or municipalities, such as urban planning, spatial development, housing planning, transport or passenger transport, water supply, sewage and treatment systems, waste management, certain health care services, protection of patients' rights, certain fields of social protection, sports and cultural facilities or institutions, environmental protection, civil protection and emergency situations, etc. This analysis should inform amendments to the Law on Public Administration.
- *Analysis of possibilities for establishing a mandatory form of IMC and functional links between LSG units*, based on which proposals for legal regulation of mandatory forms of inter-municipal cooperation were formulated. These IMC models allow LSG units lacking resources to continue to perform tasks within their jurisdiction, even in the challenging demographic and economic conditions – thus addressing the problem of the monotypic LSG model.
- *Analysis of possibilities for redefining the LSG competences for decision-making in the second-instance administrative procedure through introduction of special/ inter-municipal bodies* (primarily for smaller LSGs with inefficient management and overall administrative capacity and lack of resources), which improves existing practice (setting up a second instance body and its relations with/ accountability to a municipal council) and recommends amendments to the articles of the Law on Local Self-Government regulating the second instance body.
- *Analysis of the existing organizational forms established by LSG units for the implementation of their competencies and tasks*, which was based on the experience of 80 LSG units and provided options for improving the existing practice.
- *The draft amendments to the Law on Local Self-Government proposal to develop new modalities for managing the process of entrusting or transferring competencies*. The aim of the amendments was to introduce new possibilities and models for entrusting, as well as for regulation of the transfer of public powers, and/or public administration tasks to LSGs, for the purpose of more efficient and rational exercising of rights and obligations of the citizens and meeting of their needs of immediate interest for life and work.
- *Amendments and Supplements to the Law on Local Self-Government relating to improving the supervisory function of the local assemblies, and to better exercise public administration functions, as well as competence expansion of the Administrative Counties towards greater coordination and supervision over LSGs*.
- *Draft by-law for the Law on Local Self-Government, regulating the basic typology of the organizational forms founded by the local self-government units*. The proposed amendments pertain to the supplement by the section Organizational Forms Founded by the Local Self-Government Units, which includes the types of organizational forms, the financing method, and the obligation of the local self-government units to, prior to passing of the decision on establishing of a specific organizational form, prepare a feasibility study for establishing of the

⁴ Including: finance, construction and infrastructure, spatial planning, public information, public transport, utilities, culture, science and technological development, education, youth, general administration, agriculture, water management and forestry, economy and regional development, labor relations, employment, veteran affairs, mining and geological research, transport, local self-government, personal status of citizens, personal standing of citizens, civil registration and electoral rights, social protection, sports, housing, trade, tourism and catering, telecommunications, veterinary services and plants, health, environmental protection, energy and inspection supervision, administrative inspections, defense, emergency situations and secrecy of public procurement data, public property, etc.

organizational form concerned, as well as the mandatory elements of the same.

All proposed legal and regulatory amendments were discussed with the SCTM. Although SCTM and other interviewed stakeholders found the above-mentioned analysis inputs into policy-making process effective, managing those that required large-scale LSG base involvement in a short timeframe was challenging for the MPALSG team, which lacked relevant experience of conducting standardized research in terms of data collection and reporting standards, data processing and overall research management (plus communication and reporting in the Serbian language in multiethnic LSGs in Vojvodina).

According to the MPALSG team and the SCTM, implementation of the Action Plan 2021-23 paved a solid way for the LSG Reform Implementation and has a strong implementation record. According to the interviewed experts, progress is associated with: availability of preparatory analytical work in several important domains of the reform; LSG human resources management regulations and system; launched delineation of competencies related to public services and costing of services; advancing the system of LSG loans; advancing LSG revenue base related to property tax and communal taxes and economic investments (with new laws being prepared); advancing instruments of direct democracy; promoting different standards in LSG; etc.

“Under the LSG Reform Action Plan 2021-23 we managed to complete numerous preparatory activities that should be utilized by the next Action Plan to roll out the reform in a dynamic way. This will require good coordination from the Ministry and continues support from development partners.” – a representative of SCTM.

However, a formal assessment of the Action Plan progress was not conducted. At the same time, MPALSG has already launched technical work on elaboration of the new Action Plan 2023-25.

Building on functional analysis and work related to modeling organizational improvements, the project issued grants to selected municipalities with different levels of development and population size to apply these models. Seven municipalities benefited from the Functional Organizational Model Fund. Benefiting municipalities refer to improvements (especially in cases of establishing new services or expanding staff), but tangible benefits of re-organization are not systematically captured through the project monitoring system. Although organizational changes are still recent, anecdotal evidence is already available about their positive effects in terms of more efficient LSG functions fulfillment, better service provision and image of LSGs. (Outcome 1/Result 3)

Building on conducted functional analyses performed for a wide number of LSGs in Serbia, and development of four functional organizational models for improving the functionalities of municipal and city administrations, the project launched two Calls for Proposals to implement the recommendations related to functional and organizations optimization.

In the framework of the first Call, 13 LSGs applied and four were selected. For the total amount of some CHF 50,000, the project demonstrated optimization approaches for four different types of municipalities (in terms of level of development and population number)⁵:

The *Citizens' Service Centre in the City of Novi Pazar* (benefiting the municipality with 107,859

- residents) improved administrative service provision to the population through amending of local regulatory acts and establishing a new structure that cuts across organizational units of the city administration. The service, organized as a one-stop-shop (service center with front desk, trained staff, adequately equipped with relevant software and hardware), increases effectiveness, efficiency and access to service for citizens and enterprises, and minimizes petty corruption opportunities.

⁵ Three out of four selected municipalities belong to group IV according to the level of development of LSG and one to group III. The population of benefiting cities and municipality ranges from 20,000 to 100,000 inhabitants.

“The new model of administrative service provision makes us more citizen and business oriented. This is a different concept of work. It is more user-friendly and allows us to serve all equally. It works and looks more professional.” – a representative of Novi Pazar municipality.

- *Administration of Golubac municipality* (benefiting the population of 6,716 people) was strengthened by addressing the problem of human resources deficit and overload of public employees (most being multi-functional generalists than professionals). The project led to regulatory adjustments, expanding the staff structure to six more positions (of which four are already filled). The municipality claims that this organizational change allows it to better serve the population and to distinguish more professionally between services to individuals and local economic actors.
- *Functional and organizational adjustments in Bela Palanka municipality* (benefiting the population of 9,970 people) improved human resource management within the administration through digitalization of the management process (software) and reorganization. The redistribution of functions positively affected the work of the Department of Urban Planning, Construction, Property and Housing and Utility Affairs, and the Department of Economy and Local Economic Development.
- *Knjaževac municipality improved productivity and motivation of its employees* (benefiting the population of 25,459 people) through the improvement of working conditions and the introduction of modern information technologies.

The second Call for Proposals supported another group of three projects for the total budget of some 80,000 CHF:

- *Re-organization of administration in the City of Leskovac* for increased efficiency (benefiting the population of 124,800 people);
- *Functional reorganizational of administration in Raška municipality* (benefiting the population of 21,659 people);
- *Improving the accessibility of services for citizens and business in Mali Zvornik Municipality* (benefiting the population of 11,560 people).

“The analysis of organizational functionality of our municipality gave us a chance to document, analyze and act on the shortcomings that we already felt ourselves but could do nothing about. The software for human resource management, digitalization of bookkeeping and archives, additional three staff members improved our internal management and made us more responsive, transparent, and efficient in administrative services. It also made us a “thinking economy”.” - a representative of Mali Zvornik municipality.

The project support to organizational and functional optimizations in LSG units were highly relevant as they aimed at functional re-organization of city and municipal administrations and more efficient deployment of employees for the highest quality services to citizens and the business sector (measure 1.3.3 of the LSG Reform Action Plan).

Currently, MPALSG is considering using savings from the project budget (IMC Fund and other budget lines) to initiate the third Call for Proposals targeting the development groups III and IV, which lacked positively assessed proposals in the previous two rounds.

The first-round projects were completed recently (end 2022-beginning 2023) and the second round is still under way. The interviewed municipal officials claim improvements: they are especially visible where new services for citizens have been introduced (the Citizens' Service Centre in Novi Pazar), staff has been expanded (in Golubac municipality) or Departments have been made more functional (in Bela Palanka). However a tangible impact has not yet been captured through the project monitoring system.

Moreover, the 2nd Call for Proposals faced a deficit of strong applications, which revealed a need for technical support for LSGs for identifying and formulating needed functional and organizational changes. Therefore, MPALG negotiated to replace the planned assessments of organizational and functional changes in the LSGs supported through the Fund with a functional analysis of another 15 LGUs, as it served a more practical purpose for establishing a baseline for initiating and monitoring changes.

Both Calls of Proposals were implemented through a special Fund for Functional Organizational Models established at MPALSG in 2021. The idea of devising funding instruments in the support of LSG reform was introduced by the project and was internalized by the Ministry (also in the context of the IMC Fund discussed later) – a practice that is expected to be sustained and taken further into the Action Plan 2023-25.

The IMC Fund managed to benefit 53 LSG units, outperforming the LSG Reform Action Plan indicator on IMC. The project experience shows that for the IMC model to be widely applied at the local level, along with policy and legal frameworks, political willingness, vision of tangible administrative, social or economic benefits, regional development perspective and regional facilitation are important success factors. (Outcome 1/Result 4)

Establishment of a special Fund for IMC at MPALSG was highly relevant in the context of the existing LSG Reform Program and Action Plan, in which promoting IMC is among prominent strategic directions. The relevance of particular IMC projects supported in the framework of the Fund was ensured at the local level through the approval of the IMC schemes agreed by partner municipalities and their councils. During selection of IMC projects for funding, attention was given to their potential to increase efficiency of LSG units and improve access and quality of municipal services (including inclusiveness).

The implementation of the Fund was in line with the plan. Some initial delays in IMC projects implementation occurred due to procurement changes (prices fluctuation), re-organization of the government, lengthy negotiations and adoption of the IMC agreements, and the impact of the COVID-19 pandemic. Since the launching, all projects were implemented dynamically (except the street animals control project between the City of Kikinda and the municipality of Novi Becej, which had to face several rounds of negotiations with animal protection associations).

In the framework of the IMC Fund run by MPALSG, through two Calls for Proposals⁶ the Ministry supported establishment of new forms of IMC or improvement of existing ones. During the two Calls, 16 projects were supported benefiting 53 municipalities for the total budget for some CHF 110.000 (first Call) and some CHF 94,000 (second Call)⁷. MPALSG effectively joined with SCTM in drafting agreements between the grantees and the IMC Fund.

The project support to IMC has contributed considerably to meeting the LSG Reform Program target (where 36% of LSG units were to have IMC experience by the end of 2022). In the beginning of 2023, the share of LSG units who gained this experience reached 44%, out of which 53% gained it through the IMC Fund of MPALSG financed by the project.

In the first Call two projects enhanced the existing IMC in the field of addressing climate change and emergency preparedness challenge, and access to information and services for persons with disabilities (PWDs) through digitalization, while other projects supported IMC in the field of public attorneys, utilities and zoo hygiene.

It should be noted that the framework conditions for support of IMC have been refined by MPALSG to consider such important aspects as: targeting cities/ municipalities in different regions (Vojvodina, Central, Eastern and Western Serbia) and with different levels of development; taking into

⁶ First Call completed in April 2020; Second Call completed in December 2022.

⁷ 1st Call: 6 proposals from 6 cities, 14 municipalities and two city municipalities; 2nd Call: 7 projects from ????

consideration applicant LSGs performance in terms of fulfilling their main functions; or stimulating gender inclusion and social orientation of IMC projects (including addressing problems of people with special needs, elderly care, shelters/ community-based services for women victims of violence, etc.).

In the second Call two projects enhanced existing IMC in the area of raising awareness about the need to eliminate physical, information, and communication barriers for persons with disabilities, and improving the work in the field of disaster risk reduction, while four projects established new IMC in the areas of Ombudsman services, water supply, digitization of planning documents (GIS database) and public lighting.

The third Call is planned for launching in 2023, following the assessment of existing IMC experiences and best practices that is being now conducted by the Ministry with the support of national experts.

The Review team had a chance to look more closely at several IMC projects during the field trips:

- *“Risk Mapping and Risk Assessment in the Drina River Watershed”* led by the city of Loznica with 10 other municipalities (total funding of CHF 14,000 benefiting 126,163 people). The project provided support to existing IMC, where the municipalities united for common service for civil protection and disaster risk reduction in the Drina River basin (including joint risks assessment and mapping, system of early warning and rapid response, GIS for the needs of civil protection management and risk reduction, etc.). A Joint Service was established, led by a manager with an office in the city of Loznica and one extra staff member introduced in each partner municipality responsible for emergency affairs, following the permission of MoF (referred to as “regional units”). Financial resources for the work of the joint service are provided in the budgets of the LSG units, with a percentage share of each of the parties to the agreement, according to the scope of work, which is determined in relation to the number of inhabitants of the respective LSG unit. The manager of the joint service is convinced that the functional-organizational analysis, which is currently supported by the project in the city of Loznica (some CHF 22,000), will bring other recommendations for optimization of services and functions in other areas. Although the introduction this IMC model is associated with extra costs for partner municipalities, they seem convinced that this is outweighed by the following benefits in terms of service improvement: ability to minimize river-related disaster risks through a modern early warning system; ability to react more rapidly and more professionally in cases of concurrent emergencies across different communities; a more user-oriented emergency response service with focus on the most vulnerable households.

“We are fully aware that inter-municipal cooperation is needed by the default for the management of emergency in the Drina River Watershed. We have seen the price of past disasters that were poorly managed by each municipality on its own, and with central support coming late. We learned about IMC also through cross border cooperation supported by EU.” – a representative of the Joint Service, Loznica.

- *“Establishing inter-municipal cooperation for the purposes of designing, building and managing the regional water supply system Eastern Srem”* led by Ruma municipality with two other municipalities - Stara Pazova and Irig (total funding of CHF 8,860 benefiting 210,000 residents). This was a new IMC, although the partners had previous experience of cooperation in the areas of tourism destination management, establishing bicycle routes and energy efficiency. The project support is being used to found a joint enterprise (approval of relevant LSG councils is pending) that would design, construct and manage the regional drinking water supply system, and has a potential to include two more municipalities. The existing enterprise was established (and equipped with IT equipment for electronic archive and data processing) on top of the existing municipal enterprises that continue managing the internal drinking water networks. The IMC process is led and facilitated by the Regional Development Agency Srem (RDA), which hosts the enterprise. This cooperation is expected to: enable access to large EU funding for improving water supply to the region, which is currently very scarce due to low capacity of local water

networks; increase water volume in the system and feed better quality water from the joint bigger network; and establish a solidarity principle in defining more affordable service fees for all, based on cost recovery. The RDA's expectations rely on its previous successful experience of mobilizing funds for the region and good coordination of different regional initiatives through standing thematic inter-municipal WGs, for which RDA serves as a secretariat. The model is highly participative as, through WGs, each municipality is represented at strategic level planning. The RDA management as well as partner municipalities are convinced that the current IMC is an important investment in the future. They are also aware that at some point, when the regional project is implemented, another round of negotiations might be required to optimize the existing layers of water enterprises and to reduce administrative and costs burdens for each municipality.

“The mission of our Agency is to enhance regional development by mobilizing ideas and resources, from local, national, EU and other international sources, including national and foreign investments. This is possible only through good political will and close cooperation of our member municipalities. And we have good results: we have already managed to attract five million Euro just on one year for infrastructure projects.” – representative of the RDA Srem.

“We appreciate the work done by our RDA. Alone we would never have the expertise, time and other resources for raising these tasks and leveraging additional funding. For public servants it is difficult to go beyond the routine. The RDA pushes us to think wider, and they have expertise, from which we all can benefit”. – representative of Ruma municipality.

- *“Establishing inter-municipal cooperation on improving the public lighting system in the Srem region”* led by Šid municipality with two other partners – Irig and Pecinci municipality (total CHF20,500 benefiting the total population of 56.017 people). This is a new IMC that aims at allowing the partner LSGs to effectively implement the de-centralized public service function by joining their efforts. Modernization of the existing public lighting system and application of modern digital technology to monitor consumption and system performance was also led by the RDA Srem that took over the O&M function of the new system with co-financing from partner municipalities. The system allowed the public register of users to be systematized and digitalized, the revelation of illegal use of electricity, the application of fair tariffs based on actual consumption, and increased energy efficiency through the use of optimal lighting technology. Better costs recovery and improved revenues through savings are among the expected economic gains. The experience of this IMC also shows that citizens remain less interested in engaging when the service does not concern individual households.

“We released all information about the project through local media. Open skupstina (council) meetings were organized to discuss the system with citizens invited. Yet, citizens did not come.” – an RDA representative.

“This project considerably improves the image of municipalities as service providers. As a “good owner” of the service we are now able to quickly react where repairs are needed. Fair tariffs based on objectively measured use of electricity reduces potential for conflicts.” – a representative of Šid Municipality.

- Other IMC examples discussed during on-line interviews included:
 - *Establishment of a Joint Attorney's Service* by the municipalities of Rača, Batočina and Lapovo (for total some CHF 22,000 benefiting 26,651 people), where the municipalities jointly cover the salary of the attorney based on a cost-sharing agreement.
 - *Information application for people with disabilities* IMC project led by the city of Belgrade with the involvement of Vračar, Savski venac and Novi Sad (for some 18,000) where information related to public services (power and water outages, network

failures, changes to city transport lines, etc.) is shared and grievances are collected. The INFO FOR EVERYONE application now enables the local governments to reach people with disabilities (through sign language and audio). This experience shows how IMC can be managed through partnership with an CSO. It is also an example of an IMC where municipalities can unite whether or not they are neighbors.

- *Street animals control* IMC project between the city of Kikinda and Novi Bečej municipality (total budget of some CHF 12,000 benefiting 69,766 people) involves such tasks as: catching, transporting, caring for street animals, controlling the population of lost and abandoned animals, harmless removal and transport of animal carcasses from public areas and facilities. The service is provided to both areas by Kikinda municipality through its public enterprise "Kikinda" which receives compensation from Novi Bečej.

All reviewed IMC models, although very different in terms of legal and organizational set-up and the service sector, have either already produced or are expected to produce tangible economic, social and/or environmental outcomes, on which their sustainability is based. Some of the models require further optimization in terms of reducing costs, which local partners seem to be aware of and which will become normalized as they gain more experience and trust in IMC.

According to all interviewed, the current legislation already provides sufficient space for practicing IMC; the IMC application can be even wider with further re-distribution of functions and resources among different government levels towards de-centralization or delegation, as well as increasing LSG autonomy to decide on human resources, financing of staff and joint endeavors.

IMC (along with the direct democracy instruments) was a focus of the recent study tour undertaken by MPALSG and SCTM to Switzerland, which was to contribute to the thinking around consolidating sustainability of IMC models in Serbia. Apparently, the task of monitoring sustainability of the supported IMC arrangements and their benefits for the participating LSG units still lies ahead.

Based on the discussions with local stakeholders, the IMCs allows (main benefits):

- Managing services that involve shared natural resources (e.g. river);
- Organizing service along the whole chain of service production that goes beyond the scope of one municipality (e.g. solid waste management – from separation, collection, transportation to landfill management);
- Access to larger funding pools to fund larger infrastructure benefiting a group of municipalities;
- Access to larger investments and create better revenue potential jointly;
- Dealing with development needs and challenges that need a different scale of planning and solutions (tourism, agriculture, economic development, environment and climate change, etc.);
- Implementing smarter plans and more sustainable solutions requiring special expertise that municipalities do not have (related to circular economy, etc.);
- Increasing effectiveness and efficiency of service provision (including through reducing operational costs and costs savings);
- Relief from administrative and managerial burdens through the utilization of professional management (especially for the smallest municipalities with limited administrative staff);
- Increasing service coverage, access and quality.

Outcome 2. Improvements to the Laws on Local Elections, Referendum and Civic Initiatives lead to strengthened democratic processes at the local and national level.

TA and legal assistance provided by the project to drafting the Law on Amendments to the Law on Local Elections and the Law on Referendum and Civic Initiative contributed to successful adjustment of the laws. Both laws laid the basis for strengthened democratic processes at the local and national levels in line with the European standards. The laws were consulted widely within the

government, with the LSGs (through SCTM) and met the minimal standards for public consultations according to the national regulations. The dynamic of the new laws implementation is still to be monitored. (Outcome 2/Result 1-2)

The Law on Amendments to the Law on Referendum and Civic Initiative was drafted with TA from the project provided to MPALSG and expert inputs from SCTM. This work was accompanied by the development of the Guide to the implementation of referendums and civic initiatives to support the new law implementation of the law for LSGs and the public. The draft Law on Referendum and People's Initiative, drafted in 2019, was enhanced in the first half of 2021. The public debates on the Draft Law were conducted in the period 8–29 July 2021, following internal inter-governmental consultations and alignment with the recommendations of the Venice Commission review. The text of the draft Law was officially published on the MPALSG website prior to the debates.⁸ The Law on Amendments to the Law on Referendum and People's Initiative was adopted and entered into force on 11 December 2021 (later than planned due to 2020 being an election year and the change of leadership at MPALSG)⁹. It improved legal spaces and procedures for direct participation of citizens in the management of local government affairs (in line with the LSG Action Plan measures). The work on the Guide is being finalized now.

The Law introduced referendums and people's initiatives as instruments of direct democracy in Serbia (in line with the recommendations of the Council of Europe), including such important elements as: provisions on electronic signatures without verification; extended timeframe for collecting the required number of signatures; protection of rights during the referendum; complaints and appeals management system.

Further, the project provided TA to upgrading the Law on Local Elections. The public debate on the Draft Law was conducted in the period 24 November –13 December 2021. The text of the Draft Law was officially available on the website of the Ministry. Although the new law has not managed to change the political economy of the electoral process, it was praised for the following alterations:

- higher standard in terms of transparency and accountability of elected local authorities;
- provisions related to engagement of national minorities in the election process;
- rules on the composition of local election bodies in the case of simultaneous national elections;
- transfer authority for deciding on appeals from the Administrative Court to higher courts of general jurisdiction (more effective protection of electoral rights, especially when local elections are held concurrently in a large number of local self-government units).

In accordance with the Law on Planning System of the Republic of Serbia, the Ministry, as the proponent of the Law on Local Elections, MPALSG was required to conduct an *ex-post* assessment of the regulations implementation. This was supported from the project funding. The analysis identified the needs and provided recommendations for the amendments related to the electoral system and administration, candidacy, determination of election results, mandate of councilors and protection of electoral rights.

Furthermore, the project supported drafting the Regulation on Electronic People's Initiative that focused on elaborating in detail the conditions, method and procedure for realization of the electronic people's initiative. The draft is being reviewed by relevant RS authorities and public agencies, and following public debates is expected to be adopted later in autumn 2023.

⁸ <https://mduls.gov.rs/javne-rasprave-i-konsultacije/javna-rasprava-o-nacrtu-zakona-o-referendumu-i-narodnoj-inicijativi/?script=lat>. as per the Report on Public Debate the suggestions and comments were submitted by: Centar za evropske politike, Beograd; CRTA, Beograd; Agencija za borbu protiv korupcije, Beograd; Udruženje građana za demokratiju i građansko obrazovanje „Građanske inicijative“; Udruženje građana „Grupa za konceptualnu politiku“, Novi Sad; Udruženje građana „Sretenje“, Požega; Udruženje za zaštitu ustavnosti i zakonitosti; Transparentnost Srbija, Beograd; Udruženje sindikata penzionisanih vojnih lica Srbije, Beograd, Milorad Ljeskovac, Novi Sad; Udruženje građana “Moja država”, Ruma.

⁹ Published in the Official Gazette of RS, no. 111/21, 119/21

It is too early to judge on the dynamic of the implementation of the recently adjusted laws or the extent to which MPALSG guidelines for referendum and civic initiatives are implemented by LSGs. The Review mission did not come across any examples of the recent law application.

Outcome 3. Evidence-based decision-making and planning is improved based on an upgraded and sustainable BIS for LSGs with full functionality for all users.

The Business Information System (BIS) for LSGs was significantly improved during in the past few years. However, the project is not catching up with the expected dynamics of growth of system users. So far, the system is more utilized by state public employees than by LSG units, who are less aware of its utility for their planning and management purposes (Outcome 3/ results 1-2).

The project supported PPS in improving the earlier-launched LSG Business Information System (developed in Kyubit Business Intelligence software) that contains data and indicators for the 2011-19 in several LSG areas: basic data, financial indicators, economy, social care, agriculture, public utility companies' financial data, health and education. The system enables interactive web solutions and templates for reports in the form of tables and charts in Serbian (Cyrillic and Latin) and in English.¹⁰ Where possible, all data is disaggregated by gender.

Currently, the PPS team receives data based on agreements signed with relevant state structures and agencies (including the Ministry of Finance/ Treasury Administration that share data from the consolidated annual financial statements of municipalities and cities in machine-readable format), although the process of communication and acquiring data is labor intensive. Whether PPS will be able to maintain this intensive communication with all data providers on a longer run beyond the project remains to be seen.

To better link the system to the local development process, Guidelines for drafting LSG development plans¹¹ were elaborated with the support of the German government to better familiarize LSGs with the provisions of the Law on the Planning System and relevant by-laws, as well as explain how data can be used and tabular reports can be generated in the system in the support of local planning. The system suggests information that is relevant for the planning process, including on: demographics, urban planning (drinking water supply, housing), competitiveness (business demography, doing business, employment, unemployment, foreign trade activity), agriculture and social care services (financed from the national and local budget, respectively), LSG finances (revenues and expenditures, performance indicators, indebtedness, structure of total and current revenues and tax revenues, structure of total and current expenditures, capital expenditures), finances of public utilities under the jurisdiction of LSGs (business profile of the PUC, trends in the number of employees, productivity, structure of assets and sources of funds, the structure of total income and expenses, profitability and cost-effectiveness, liquidity, indebtedness), health (healthcare facilities and personnel, public expenditures for health and social protection) and education (population and its structure according to education and gender, indicators in the field of preschool education, indicators in primary education, indicators in secondary education, indicators in higher education, public expenditures for education). The information on health and education was included into the BIS in 2022 (with some delay though, due to different priorities of the relevant Ministries during the Covid-19 pandemics). The system can generate the analysis for each LSG unit by years (where applicable disaggregated by gender).

It should be noted, however, that the growth of the number of visits to the BIS so far has been much lower than planned: 1,7% increase only (3,151 visits¹²) in the period of January-June 2023 compared to the same period in 2022 (3,098 visits), on the background of a planned 20% increase.

¹⁰ Analytical and Reporting System - <https://rsjp.gov.rs/en/analytical-and-reporting-system/>

¹¹ Available at: https://rsjp.gov.rs/wp-content/uploads/Prirucnik-za-lokalnu-samoupravu-web_final-19.8.pdf

¹² Analytical service registered 2,572 visits, and analytical and reporting system registered 579 visits.

“The experience shows that digitalization in the context of Serbia sometimes leads to centralization rather than decentralization.” – a representative of the national expert community.

The initial plan to promote the BIS by organizing sessions in cities was abandoned in 2020 due to the pandemics. Instead, in 2020-21 the project focused on designing a training program for LSG staff and civil servants, in compliance with the professional development program accreditation requirements prescribed by the National Academy for Public Administration (NAPA). In parallel, *User's Guide for Methodological Notes* was prepared with an overview of all options for the use and interpretation of all indicators. An on-line training program was created and as an e-learning product placed on the NAPA's website (*Management System Training*).¹³

Since 2022, a training course on the LSG BIS has been included into the NAPA's continuous professional training programs for civil servants in state bodies. A series of Webinar trainings was conducted in partnership with NAPA in the period September-December 2022 for with some 50 civil servants attending.

Among the LSG representatives participating in the Review only one third had heard about the BIS and even less were aware of its possibilities. In none of cities/ municipalities included in the interview did the LSG representatives recall using this data for their local development planning process.

The RSJP team is well aware of a need to conduct a wide information campaign among LSGs, along with integrating BIS into (re)training courses for LSG staff in particular.

In terms of operational sustainability, the LSG BIS with its database is located in the Data Centre of the Office for IT and E-Government – thus, it is fully integrated into the e-Government system and takes over responsibility for regular professional maintenance of the hardware, data backups and security. The PPS also claims its ability to maintain and upgrade the LSG database and the developed web applications (LSG Analytical Service and LSG Analytical Reporting System). The PPS has envisaged the introduction of three additional positions in their staffing plan that are planned to be maintained after the project completion (for information and communication technologies and information support; for economic analysis and project support; for economic analysis and information support).

Elaboration of three development plans was supported in line with the Law on the Planning System with the use of LSG BIS data and community involvement. However, they focus mainly on infrastructure (which is the main concern for many communities) and are not much different in quality from the development plans of other LSG units. The LSG ability to translate these plans into annual plans and budgets is still to be monitored. (Outcome 3/ Result 3).

Based on training materials developed for the use of the LSG Analytical Reporting System for the purpose of LSG planning, the PPS commissioned a consultant to support the implementation of the development process in three LSG units.

Using the criteria of population size, regional distribution (NUTS II statistical regions and NUTS III statistical areas), level of development, basic economic and social situation¹⁴ and financial autonomy of LSG, three LSG units were selected:

- Opovo (up to 10,000 inhabitants, Vojvodina Region, IV level of development),
- Sokobanja (from 10,001-20,000 inhabitants, Eastern and Southern Serbia Region, III level of development),
- Prijepolje (from 20,001- 50,000 inhabitants, Sumadija and Western Serbia Region, IV level of

¹³ <https://www.napa-gov.rs.translate.goog/tekst/45/onlajn-obuke.php> (in the training catalogue No. 40). The full training is available on the eLearning Platform (LMS) which can only be accessed by registered civil servants.

¹⁴ Using two indicators - number of the employed, as % of the population aged 15 and over and the number of beneficiaries of financial social assistance, as % of the total population.

development).

Based on the methodological guidelines for elaboration of Local Development Plans, during 2022 three LSG units received support in the elaboration of their development plans in the form of: introductory meetings in December 2021, action planning, structuring and supporting the work of three LSG administrations through thematic WGs. Following public hearings and plans finalization, all three development plans were adopted by relevant councils at the end of 2022.

“The planning was participatory throughout and included different stakeholders - from CSOs to business. In addition to the legal obligation of posting all relevant documents at our web page we went extra mile and share the direct invitations (via emails, media etc.) to representatives of local communities to contribute their comments and suggestions. We even as school children during the “Children Week” how they see the development of our municipality and what are their priorities. We are a small, understaffed municipality. During the process we appreciated external expert support. We are fully familiar now with the strategic planning process and BIS to the extent that we can provide peer support to other municipalities.” - a representative of Soko Banja municipality.

The three Local Development Plans are transparently available on the websites of relevant LSG units.¹⁵ The desk review of the plans show that they are of different standards and quality. While the plan of Prijepolje and Sokobanja contains more detailed analysis of the situation in the municipality by sectors, the plan for Opovo contains instead a list of priority projects. All projects included into the plans are mainly related to infrastructure with no reference to managerial or structural/ organizational improvements (including in the area of IMC). Furthermore, all plans have an economic development part but lack regional perspective in the analysis and measures for developing local economy. The format in which the plans are presented and published does not look solid or user-friendly.

After comparing the three development plans with other plans that were available in visited municipalities (e.g. Ruma, Novi Pazar, Mali Zvornik municipalities) the Review team did not identify comparative advantage of PPS support to the development planning process.

“Municipal development plans is a good step forward but they need to be better connected to each other and to higher level plans to maximize the gains for municipalities and increase their chances for funding their implementation from different sources.” - a representative of RDA Serm.

The future ability of the LSGs in three targeted municipalities to translate the development plans into their mid-term budget, as well as annual plans and budgets, still needs to be monitored to judge the practical utility and the degree of implantation of these plans. This monitoring needs to be done at the end of 2023–beginning 2024 when annual plans for the next year are being discussed and approved by the relevant councils.

Among key challenges of strategic development planning mentioned by different stakeholders during the Review were: deficient links to spatial planning; lack of clarity on some issues related to cadaster, land and natural resources management; underdeveloped system of municipal data and statistics management; slow pace of digitalization of municipal management systems; poor links to regional and sectoral plans.

Regionalization is a sensitive topic in Serbia and will most likely not be taken up to the national policy agenda in the coming years, although the role of the regions will remain crucial in the contest of EU policies and planning and implementation of the new National Development Plan¹⁶ for the next 10 years the development of which is about to launched.

¹⁵ Opovo – Plan 2023-25 - <https://opovo.org.rs/skupstina-opstine/dokumenta/>; Sokobanja Plan 2022-30 - <https://sokobanja.ls.gov.rs/plan-razvoja-opstine-sokobanja-2022-2030>; Prijepolje Plan 2022-29 - <https://prijepolje.ls.gov.rs/vesti-i-obavestjenja/plan-razvoja>

¹⁶ <https://rsjp.gov.rs/en/news/draft-decree-on-the-procedure-for-preparing-the-draft-development-plan-of-the-republic-of-serbia-adopted> and <https://ekonsultacije.gov.rs/topicOfDiscussionPage/148/1>

3.3. Efficiency, Management and Coordination

The project is slightly behind the implementation schedule due to the COVID-19 pandemics, national elections in Serbia and changes in the government. The pandemic and change of communication formats, however, affected activities related to outreach and experience exchange.

At the project start, the COVID-19 pandemic hindered the rolling out of plans and activities, which affected organization of public events (regional trainings, workshops and panel discussions, expert and public consultations), organization of study-tours and inter-municipal exchange as well as establishment of relations with national and local counterparts. The quarantine with its strict restrictions pushed the project to look for different modalities for communication and delivering activities. Despite some delays, the project implementors managed to adopt their activities to meet safety measures (larger spaces for meetings, social distancing, masks, disinfection means, etc.) and to draw more on-line means of communication, training and information dissemination.

Notably, an impact of adjustments on project outcomes was felt:

- In the PPS component, where direct contacts with LGS units were compromised during the stage of active development of the BIS from which LSGs were meant to benefit in the first place (as discussed in the previous chapter on-line and e-tools do not seem to compensate for direct contacts and trainings in terms of ensuring outreach and awareness-building);
- In the MPALSG component in relation to exchange of experience on IMC issues among LSG units (only a few interviewed representatives of LSGs involved in IMC knew about similar or other IMC experiences outside of their projects).

Later, the elections held in June 2020 and the subsequent formation of the new Government in October 2021 (when the Government composition and the MPALSG leadership changed) hindered strategic and operational decision-making in relation to the project (e.g. launching Calls for Proposals, contracting, procurement, etc.), since the Ministry is the main implementing partner directly responsible for project planning and plans delivery.

The project has been using funding efficiently and managed to make savings. Currently, it is not fully meeting its financial disbursement targets due to savings made and some delays in activities implementations due to the above-mentioned reasons.

Considerable savings were made by the project thanks to MPALSG's ability to negotiate and procure expertise for lower rates than envisaged in the budget plan, re-orientation of activities to on-line format, as well as synergies with SCTM in involving relevant legal and other professional expertise.

As of 30 June 2023, the project committed funds in the total amount of CHF 815,539 (outcome I CHF 588,652; outcome II CHF 79,183; outcome II CHF 53,531 and direct project cost CHF 721,366) indicates delivery is behind schedule. This implies a need for a non-cost extension.¹⁷

The direct implementation model has been beneficial in terms of ownership and sustainability of the project outcomes, direct relations with the government counterpart and overhead costs, but it is labor intensive for the SDC staff and is not supportive of strategic and operational coordination with other projects and development partners, nor of efficient documentation and knowledge management.

The Review team acknowledged the fact that despite the recent leadership change (including the change of project manager being the assistant Minister which entailed a half year gap in management), both the new assistant Minister and the project staff take great ownership of the

¹⁷ Draft Project Financial Report for the period of January 1 – June 30, 2023

project and are fully committed to take it further. Since the project team remained almost unchanged and the staff of the LSG Department is fully integrated into the new/ merged Department of Registry and LSG, the human capacity in which the project has been investing is not lost.

The project team at the Ministry is supervised by the Project Manager (assistant Minister). The team is on the public payroll, which implies a very light overhead budget for the project. The project related responsibilities are integrated into ToR of relevant Ministry staff (earlier concentrated within the Department for LSG).

The Ministry team feels fully accountable for all outputs produced under the project, including those that were more dependent on external experts. Drawing on the capacity of experts has been critical in this important period of shaping the LSG reform, which would have no possibility of efficiency if it relied on the Ministry's human capacity alone.

On the other hand, proper documentation and analysis of project results has been suffering. For instance, close monitoring and reporting on the experience and achievements on IMC or functional re-organization projects, as well as regular communication and feedback with project partners and beneficiaries, was too ambitious an expectation of LSG or the Ministry staff without the support of specialists specifically dedicated to this task. Furthermore, knowledge management is not a natural task for a Ministry.

At the same time, the Review team noted that relations and inter-face with other development partners and projects, as well as project and SDC visibility suffers from the direct implementation. Under this model it would be ambitious to expect equal relations and free flow of communication between this project team (that is fully associated with the government/ integrated into the Ministry) and teams of other projects supporting LSG that rely on the more neutral nature of project implementation units. So far, a large share of coordination between development projects at the operational level occurs through SCTM, which is involved in some way and is supported by most of LSG projects/ donors in Serbia.

According to most national actors interviewed, strengthening of the MPALSG coordination role in the context of the on-going development of the new Action Plan 2024-25 for the LSG Reform Program, and guiding its further implementation, will be an essential development this year. While the Public Administration Reform Council with its 13 members is the key upper-level government policy body supervising and steering the PAR implementation (of which the LSG Reform is an integral part), MPALSG is still expected to lead operational level coordination in terms of supporting reform coordination through different actors and instruments. This is especially important since, by the costing plan, more than 80% of funding in the support of the LSG Reform Program 2021-2025 is provided by international development funds (on-going on conditional/ pipe-line funds).

In order to ensure minimal strategic alignment, in the logic of the Swiss portfolio MPALSG is included in the Steering Boards of all projects related to LSG. However, this does not compensate for the lack of active coordination between governmental and development partner efforts.

The recent internal re-organization of the Ministry and shift of responsibilities for LSGs is not expected to have a major impact on the project and the LSG reform, but its further impact needs to be closely monitored.

The recent re-organization of the MPALSG and the merge of the LSG Department with the Registry Department, which raises great concerns on the part of SDC, is not seen by the Ministry leadership, the project team or the Standing Committee as a downgrade of the local governance agenda within the Ministry, also taking into consideration that the merged Department for Registry and LSG has extended the number of units and staff and the succession in the project team is preserved. The impact of this institutional change on both the project implementation and the local governance reform support needs to be closely monitored.

4. Recommendations

Based on the findings and conclusions presented in the previous chapter, the Review team can make two sets of recommendations – one pertaining to the consolidation of the project’s success within its remaining time (short-term) and one for future SDC programming (longer-term):

Short-term

- While focusing its assistance to the Ministry in the coming year on policy, regulatory and aid coordination issues, SDC can make better use of its assistance to the SCTM for analytical reflections, knowledge management and scaling up of the good governance practices promoted under the current project – organizational and functional optimization, IMC and development planning. This can be done by harvesting the existing experience (analytical notes), more structured exchange of experience among LSG practitioners (Community of Practice) and proactive dissemination of good quality knowledge products across the LSGs in Serbia.
- Provide support to MPALSG in the elaboration of the new Action Plan for the Local Government Reform Program, in order to ensure building on the previous preparatory work (succession and continuity), adequate technical expertise inputs, transparent and accountable process and scrutiny by LSGs and interested public. Ensure that the hearings on the new Action Plan are preceded by the report on the implementation of the previous Action Plan.
- Development of the new Action Plan provides a good venue for strengthening coordination between MPALSG and the international development partners. SDC should provide more explicit support to strengthen the Ministry’s ability to establish and maintain an effective aid coordination mechanism (under the top leadership with the involvement of the Department of Registry and LSG and the Department for International Cooperation and the relevant WG within the PAR coordination architecture). The coordination should be fully led by the Ministry, whereby SDC can be a modest provider of technical assistance related to the design of the mechanism and supporting the Secretariat.
- MPALSG will require assistance in completing the analysis of IMC with the intention of not only describing the existing/ best practices, but also revealing lessons learned from each IMC models for both their practical application and for the national regulatory process.
- The existing IMC models need to be monitored in the next year. Some of them, based on the findings of the Review, still need to be further consolidated towards longer-term legal and organizational sustainability (where relevant through the upcoming Call or further advisory support through SCTM, RDAs or similar support service providers).
- Towards the end of the project, the project team should conduct a rapid assessment (can be based on self-administered survey/ feedback forms) to generate the evidence on positive impact of project investment into LSGs benefiting from the functional re-organization support.
- Building on the project experience of the Functional-Organizational Fund and the IMC Fund, advocate for establishing a Financial Instrument at MPALSG that would stimulate innovations, modernization and new approaches in LSG (where organizational optimization and IMC should be the main focus). There are already many convincing arguments (many reflected upon in this report) that can be used for scaling up IMC. Apart from the public budget, the Fund should be supported by different development partners who can be represented in the Fund’s Steering Board.
- For consolidating the SDC’s investment in PPS’s work on BIS and local development planning, a national information campaign on increasing awareness of the BIS among local authorities will need to be conducted. The campaign should not be limited to one-way information dissemination but foresee ways of collecting feedback from LSGs on the practical utility of the BIS and its shortcomings. Sustainability of the BIS and its use by LSG will largely depend on PPS’s

ability to address the existing shortcomings in the remaining project period. In line with the LSG Program, digitalization should enable decentralized and deconcentrated data collection, centralized aggregation, and monitoring of the situation, with, again, decentralized and deconcentrated decision-making and administrative action.

- The project should use the remaining time to ensure a minimal level of visibility of project results and awareness among national stakeholders and the international partners/ projects.

Long-term

- Thanks to the SDC's history of investment into the LSG reform in Serbia and the unique experience of direct support to MPALSG, SDC can further build on the reputation of a long-term neutral but credible partner. This capital should be further utilized and SDC should stay engaged at the national level. This will be also important for SDC to share credit for the success of the reform, the culmination of which is expected in the next two to three years. By disengaging after the completion of this project SDC risks being unassociated with the success of the reform.
- Beyond the current project, support should be continued to MPALSG (even at the cost of supporting SCTM, which is well advanced institutionally with a high level of sustainability and financial support). Continued support to MPALSG will advance a substantial responsibility for implementing the Action Plan 2023-25 in a coordinated manner, and for designing the new program beyond 2025.
- The direct implementation model has proven to be good value for money but may need some adjustments in the interest of securing accountability of MPALSG for the progress in Action Plans implementation (that serve as the frameworks for providing support) and visibility at the national and international levels. For this purpose, the introduction of performance-based disbursement and the secondment of a neutral person to the project management at MPALSG for wider liaison and coordination can be considered.
- The new National Development Plan with its regional orientations will have important implications on the local development planning process. The existing development planning methodologies and guidelines may need to be adjusted to support the operationalization of the upcoming National Development Plan at the local level.
- In the longer run, PPS should invest in identifying and bringing to the attention of policymakers the bottlenecks that hinder effective local development planning (e.g. related to land, cadaster, property/ NRM, spatial planning, sectoral issues etc.).
- Although regionalization is a sensitive political topic, linking IMC to regional development and public-private partnership and activating the role of regional service providers (like RDA) in facilitating municipal innovation and IMC will be an important step forward. The issue of the role of the regions will be critical for the operationalization of the upcoming National Development Plan, although highly political.
- In the future program, SDC should more explicitly operationalize links between projects in its governance portfolio to gain the maximum impact and visibility of "Swissness". The Review strongly recommends preserving focus on the local governance system in the new SDC Country Strategy that is to be developed in the coming year.

Annexes

Annex 1. Terms of Reference

Terms of Reference for an external review of the Swiss contribution to the Ministry of Public Administration and Local Self-Government “Local Governments for 21st Century”

1. Context of the review

For more than two decades, the Republic of Serbia has been in the process of continuous political, economic, and social transition. Several consecutive Governments of the Republic of Serbia implemented – with more or less success – numerous reforms in various areas, with the aim of improving the quality of life of citizens and bringing Serbia closer to European Union (EU) membership. Although decentralization has occasionally appeared on Government’s agenda, Serbia still tends to be fairly centralized¹⁸ (12.5% of the Serbian budget expenditure is at the local government level). The conclusion stems from the organization of government (most of the jurisdictions are at the national level), demographic and economic features (concentration of the population and wealth in the capital), etc. In addition, two opposite trends can be observed: depopulation of the rural country parts and rapid population growth of the Belgrade metropolitan area.

The political situation in Serbia in the previous period was rather dynamic, with certain turbulences caused by frequent elections, the COVID-19 pandemic and respective measures and increasing geopolitical tensions in terms of foreign policy alignment between Europe, Russia, China and Turkey. In April 2022, general elections were held in Serbia (presidential and parliamentary). In addition to the general elections, local elections were held simultaneously in 12 municipalities and 2 cities, including Belgrade. The new Government was established in October 2022 and consists of the political parties which led the government under the previous mandate and which prevail in the National Parliament by two thirds. Unlike in the previous period, several opposition parties of different political affiliations entered the National Parliament. The frequent changes of the Government’s composition and the fact that over the past six years not a single cabinet finished its term, have significantly impacted policy making processes. The elections, short mandates, and frequent government reshuffles, together with the consequences of COVID 19 pandemics had a considerable impact on foreseen reforms on both central and local level. However, a number of conducted reform processes and activities had a positive outcome on development of local governments, such as the return of public property to municipalities, taxation reforms, digitalization and increase of administrative efficiency (General Administrative Law). The gradual but positive trend is confirmed in several assessments such as Local Transparency Index, Good Governance Index and Citizens’ Satisfaction Survey.

In view of the broader context, Serbia’s European integration is conditioned by normalizing relations with Kosovo, as well as a demanding reform agenda with the aim to align with European standards and EU’s foreign policy. Two years ago, the process for Serbia’s accession to the EU was subject to changes, due to the new EU enlargement methodology followed by the global crisis caused by the COVID-19 pandemic and the war in Ukraine. During 2021, Serbia adjusted its negotiation structures to the revised enlargement methodology requiring greater focus on fundamental reforms, stronger political guidance, increased dynamics and greater predictability of the process based on objective criteria, and strict positive and negative conditioning. Thirty-five negotiation chapters are now grouped into six clusters and will no longer be opened individually, but in clusters. The European Commission Progress Report for 2022 emphasizes the continuity of the Republic of Serbia’s commitment to EU membership as a strategic goal. Since the opening of Serbia’s accession negotiations in January 2014, 22 out of 35 chapters have been opened, including all chapters in cluster 1 on the fundamental rights and all chapters in cluster 4 (on the Green Agenda and sustainable connectivity). Two chapters have been provisionally closed.

As regards the public administration reform (PAR), Serbia enacted the PAR Strategy and Policy-making and Regulatory Reform Program 2021-2025 and is qualified as moderately prepared in the EU Progress Report, with limited progress in their implementation. Looking at the local level, the EU Progress Report notes weak local administrative capacities and significant disparities between local governments. Small municipalities fail or

¹⁸ IDS assessment from 2012 rated Serbia as a fairly decentralized country.

hardly succeed to perform their current functions, whereas most of the towns and bigger municipalities are able to assume new tasks. The Report notifies that in 2021 the Government adopted the Local Government Reform Program 2021-2025 (LGRP) aiming to address shortcomings in the LG functioning. LGRP was adopted and drafted by the Ministry of Public Administration and Local Self Government (MPALSG) in close collaboration with the national municipal association – the Standing Conference of Towns and Municipalities (SCTM).

For the first time, this systematic document with its action plans tackling LG reform and decentralization, became a part of the Public Administration Reform Strategy. Reform priorities in the LGRP (an equivalent of decentralization strategy) include deconcentrating certain competences to district administrations, expanding inter-municipal cooperation, introducing a clearer division of labor with line ministries, and increasing LGs performance by way of standardized functional models for LGs and other local public institutions. The reform priorities from the point of view of LGs themselves are reflected in the Strategic Plan 2022-25 of the Standing Conference of Towns and Municipalities (SCTM), which is closely aligned with the LGRP, and additionally reflects sectorial reform priorities of the LGs. The Strategic Plan addresses structural LG issues, planning and financing as well as different sectorial reforms¹⁹ in their competencies. The years 2023-2025 are crucial for implementing reforms from the LGRP and SCTM's Strategic Plan, aiming at improving the legal and organizational framework, professionalization, efficiency and modernization of all aspects of local self-government functioning.

In terms of sustainable development at the local level, LG development priorities are elaborated in local sustainable development plans (SDP). The municipalities are supposed to adopt these plans in a structured participatory process laid out in detail in the Law on Planning System. The implementation of the Law is overseen by the Public Policy Secretariat (PPS).

Local self-governments

The LG system in Serbia is one-tier and monotypic, based on the municipality as the basic territorial unit in which LG is established. This means that there is a single level of LGs where both cities and municipalities have the same status – i.e. the same organization and almost identical competences (a partial exception is the status of the capital city).²⁰ Serbia has 117 municipalities and 28 cities (145 LGs), as well as 25 city municipalities (which are not LG units but under the authority of cities). The average surface of a LG is 535 km² with 8% of LGs bigger than 1000 km². Major demographic changes during the past half century did not reflect on territorial organization, which remained practically the same as in 1960s. By the average size of the territory and the number of inhabitants (about 49,000 inhabitants), LGs in Serbia are among the largest LG units in Europe. LG bodies are: assembly, mayor, council, and administration. The assembly members are elected through proportional representation (closed lists of political/citizens' groups, min. 40% of the less represented sex). The mayor and councilors (executives) are elected by assemblies. Local authorities have a wide scope of competences, both original and those delegated by central government authorities.²¹ In addition, the Autonomous Province of Vojvodina has a special status, i.e. its provincial government, provincial government bodies and its own budget. A number of laws applying to the local governments also apply to the Autonomous Province of Vojvodina (e.g. Law on Employees in Autonomous Provinces and local self-government).

Amendments to the Law on Local Self Government (2018), which were also supported by Swiss partners, have further defined the space for inter-municipal cooperation, regulated local communities (sub-municipal level) and a stronger engagement of citizens in decision-making. These positive changes are further underpinned by the new Law on Planning System (2018), which enhances participation and consultation of CSOs in planning processes and makes the establishment of 7-year local development plans mandatory.

¹⁹ Economic development, tourism, rural development, social protection, education, health, environment, energy etc.

²⁰ Such system is rare in Europe, with mostly two- or three-tier LG systems, often of different types of LGs, depending on size, population and economy. Various types of LGs are thus given various levels of competences. In many countries there is a difference between obligatory competences (which LGs are obliged to implement) and facultative competences (which LGs may take on if they wish to and if they have the capacity to implement them). It is also often the case that the status of cities and capitals is regulated in a special way, so that they perform—in addition to LG competences—some competences of counties, regions, etc.

²¹ Local authorities have original competences in around 40 different areas, such as: communal services, collection of local revenues, urbanism and construction, social services, preschool education, partial financing of primary education and health system, local economic development, tourism, culture, sports, youth, etc.

2. Swiss support to MPALSG and PPS and project progress

Switzerland has been supporting local governance reforms in Serbia for over 15 years. Under the cooperation program 2022-25, Switzerland continues with this engagement through several projects putting an emphasis on the democratic quality of local governance processes (transparent, accountable, participatory, effective) as well as a particular focus on local public financial management and social protection. MPALSG, and in particular the Sector for Local Self Government, has been a key partner to Switzerland in this process. In 2015, SDC started cooperating directly with MPALSG by co-funding activities, which aimed at reforming and modernizing local governments. The current project called *Local Government for the 21st century* (2.5 Mio CHF) for the period 2020-2024 is geared towards analytically preparing for Local Governance reforms and enhance evidence-based policy-making for LGs. It also stimulates inter-municipal cooperation endeavors and functional reorganizations in LGs.

This cooperation led to several results relevant to the work of local governments in Serbia. For example, it facilitated several schemes of inter-municipal cooperation in various fields. It led in-depth assessments of functional organization of a sample of LGs that were further supported in implementing ensuing recommendations of internal reorganization. Switzerland also provided exposure of policy-makers to Swiss direct democracy and analytical support to the revision of the Law on Referendum and popular initiatives which was ultimately adopted early last year.

Within the same project, Switzerland also supported the PPS to accompany three LGs in the preparation of their local sustainable development plans. PPS was also a partner in expanding and maintaining the business intelligence system (BIS) containing 500 social, economic and financial indicators of municipalities. The PPS also had the task to train policy makers in LGs to use the BIS. This resource is being used by policy makers for evidence-based planning and is also accessible to the general public.

In summer 2021, the MPALSG underwent an internal reorganization, which led to merging the Sector for Local Self Government with the Sector for Registers. This change led to delays for the Swiss supported project and expected deliverables which the Ministry is trying to catch up.

The Swiss support to MPALSG and PPS is structured along three outcomes (components), where the first two relate to MPALSG and the third to PPS:

Outcome 1 (MPALSG): An enhanced legal and policy framework and the use of efficient organizational models and inter-municipal cooperation lead to strengthened and better performing LSGs.

Outcome 2 (MPALSG): Improvements to the Law on Local Elections and the new Law on Referendum and Civic Initiatives lead to strengthened democratic processes at the local and national level.

Outcome 3 (PPS): Evidence-based decision making and planning is improved based on an upgraded and sustainable Business Intelligence System for LSGs with full functionality for all users.

3. Objectives of review

The external reviewers will assess the project in line with the OECD-DAC evaluation criteria, in particular, relevance, effectiveness, coherence and sustainability. They shall draw lessons learned and recommendations to inform the remainder of the project implementation. The reviewers are also invited to express their opinion on the potential continuation and the strategic direction of the Swiss support to the Government's efforts in LG reforms also taking into account strategic priorities of the Swiss Cooperation Program with Serbia 2022-25.

They will assess the application of good governance principles, namely, participation and transparency when it comes to the law and policy making, and effectiveness and efficiency of the project implementation. Aspects of gender equality and social inclusion should be reviewed where applicable. The reviewers are asked to reflect also on the following questions:

Coherence

1. Is the Project aligned with the policy commitments of MPALSG and PPS?
2. How well does this intervention fit with other interventions in the field of local government reform?
Are there synergies with other projects and programs supported by Switzerland and other donors?

Effectiveness

3. To which extent have the Project objectives been achieved?
4. What is the progress of implementing LGRP? Are there practical improvements in the functioning of LGs and LG system thanks to LGRP and its implementation? What is LGRP expected to achieve in the mid and long term?
5. Have the supported measures of functional reorganization of LGs led to visible improvements in the work of engaged LGs? Are there any showcases?
6. What are the consequences of the reorganization of MPALSG on the realization of project objectives?
7. Have the legislative activities concerning inter-municipal cooperation (IMC) and related grants contributed to the proliferation of the IMC across the country? How is the allocation of grants for IMC assessed in terms of transparency, objectivity, and fairness? Were the reviewers able to observe tangible benefits for the participants in the IMC, namely, grantees of the Ministry?

Relevance

8. What was the quality of the participation during the preparation of the Revised Referendum Law and the three local development plans? Which transparency and participatory measures did the Ministry and PPS take in the elaboration of the revised Law on Referendum and popular initiatives and the three Local Development Plans? Were non-state actors such as citizens, CSOs and academia also in a position to provide comments and suggestions and receive feedback concerning the legislative initiatives mentioned above?
9. Is there a tangible link between the analytical activities supported by the project and policy and law initiatives by MPALSG? Do the findings of such analysis inform policy and law-making processes?

Sustainability

10. To what extent is MPALSG in a position to drive reforms without external support (financing of consultants)?
11. How do frequent staff changes in the Ministry impact sustainability?
12. Which elements in the way inter-municipal cooperation is supported speak in favor of sustainability, which against?
13. Is there a way forward in securing sustainability and clear ownership of the Business Intelligence System (Database of LG indicators)?

Scope and method of work

The review will be led by the international team leader supported by a competent local consultant. The international consultant will provide external perspective of the review process. The reviewers shall independently organize the review. The SCO and MPALSG may support the reviewers in logistics and facilitate contacts with the interviewees.

Methodology: The review will start out with a desk review of key documents and is to follow the suggested methodology presented by the team leader in the inception report (and agreed with by SDC). The review will be conducted based on individual (semi-structured) interviews with the stakeholders, project staff, representatives of MPALSG, SCTM, LGs, related projects and other relevant interviewees. The reviewers are encouraged to conduct field visits to an inter-municipal cooperation project, a functional reorganization project and a municipality supported by PPS to develop its local development plan.

Overview of functions of team members and their required qualifications

The external reviewers of the Project “Local Governments for 21st century” should possess the knowledge of the broader process of the public administration reform in Serbia, and in particular on the position and strategic direction of the local government system reform within the PAR framework.

Function	Role in review	Required qualifications
International Team Leader	<ul style="list-style-type: none"> • Overall responsibility for the planning and execution of the review and the management of the review team 	<ul style="list-style-type: none"> • Degree in political or social sciences, development studies or a related field • More than seven years of experience with external evaluations, preferably in the area of

	<ul style="list-style-type: none"> • Desk review and development of a review methodology in the inception report • Lead during field assessment and stakeholder interviews • Preparation of debriefing with SDC and MPALSG • Drafting, consultation and finalization of review report including recommendations 	<ul style="list-style-type: none"> • Public Administration Reform, Local Governments, decentralization or a similar field • Expert knowledge of governance, good governance principles, social inclusion and gender equality • Experience as an evaluation team leader • Strong report writing skills • Excellent command of English (written and oral)
National consultant	<ul style="list-style-type: none"> • Provides inputs to the review on the local and political context of Serbia • Conducts selective desk review • Participates in review as per need (briefing, interviews/field mission, debriefing) • Provides inputs and comments to the review report • Arrangement of meetings and logistics in close consultation with the National Project Manager and SDC 	<ul style="list-style-type: none"> • In depth understanding of the political, legal and institutional context of Serbia, including public administration reform, local governance reform and decentralization • Expert knowledge of governance, good governance principles, social inclusion and gender equality • Knowledge of the donor environment in Serbia and EU integration process • Previous experience in donor external reviews of national partners or related activities • Serbian mother tongue and very good command of written/spoken English

The team leader will closely liaise with SDC for the duration of his/her assignment.

The main tasks of the reviewing team include:

- a) Desk research will include, but not be limited to the following documents:
 - Credit proposal
 - Project document
 - Operational reports by MPALSG
 - End of Phase Report (Phase 1)
 - Annual report on implementation of PAR Strategy
 - Swiss Cooperation Strategy 2022-2025
 - EU Progress Report
 - Fact sheets and other project relevant information from this and related SDC projects
 - Other relevant documents
- b) Drafting of an inception report. The objective of the inception report is to confirm a common understanding of the review mission between the reviewing team and the Swiss Cooperation Office. In the inception report, the review team will propose or reconfirm the methodology of the review. The inception report should be submitted at least seven days before the scheduled briefing meeting in Serbia.
- c) Briefing at the Swiss Cooperation Office / Swiss Embassy in Serbia, particularly with the Head of Governance Domain and the National Program Officer(s) at the beginning of the mission. The Head of Cooperation may also participate in the briefing.
- d) Meetings with representatives of MPALSG, LGs, project staff, SCTM, CSOs (Transparency Serbia, National Coalition for Decentralization), international organizations, donors and development programs (EU, SIDA, UNOPS, UNDP, Swiss supported MED, ACT, RELOF).
- e) A possible field mission to 2-3 LGs.
- f) Debriefing at the Swiss Cooperation Office in Serbia with the presentation of preliminary findings and recommendations to SDC.
- g) Presentation of conclusive findings and recommendations to SDC, MPALSG and PPS.
- h) Addressing written and verbal feedback received by the SDC, MPALSG and PPS.
- i) Submitting in writing draft report to SDC.
- j) Completing the final review report after finalizing exchange with the SDC

5. REPORTING DELIVERABLES

The external review team is expected to produce the following deliverables:

- Inception report
- Presentation of the preliminary findings and recommendations to be discussed during a debriefing session in the Swiss Cooperation Office (SCO), and consecutively conclusive findings with SDC, MPALSG and PPS
- Draft report to be electronically submitted to SCO within 20 working days after the review mission
- Final review report reflecting all questions to be reviewed as mentioned in Chapter 2. It shall contain a brief description of the applied work methodology as well as separate chapters dedicated to the key findings and recommendations. The report shall be written in English (Arial 11) and not exceed 15 pages (without executive summary and annexes)

6. DURATION, TIMETABLE AND IMPLEMENTATION ARRANGEMENT

The external review should take place in the second quarter of 2023. The following table gives an indicative overview of the work schedule and allocated time:

<i>Task / Activity</i>	<i>No. of days national consultant</i>	<i>No. of days international team leader</i>
Research & analysis of relevant documents	2	3
Other preparatory activities (logistics)	1	
Field assessments and elaboration of draft findings	5	5
Briefing and debriefing at SCO in Serbia	1	1
Report writing	5	6
International travel		1
Total amount (maximum) per (peer) reviewer	Up to 14	Up to 16

Annex 2. Review Mission Program internal only

Annex 3. List of People Met during the Review internal only

Annex 4. List of Sub-Projects Supported

IMC FUND – (Project Local-self Government for the 21st Century) 2020-2021 – 1st Grants cycle

<i>Project</i>	<i>Lead partner and partners</i>	<i>Type</i>	<i>Budget, CHF</i>	<i>Status</i>
Improvement of zoo-hygiene in Nišavski county <i>Note: The project is expected to be completed by the end of August 2023.</i>	1. City of Nis – Lead partner	New IMC	18,951.00	On-going
	2. Svrljig Municipality			
	3. Gadžin Han Municipality			
Establishment of Inter-Municipal Cooperation in the Field of Communal Activities between the City of Kikinda and the Municipality of Novi Bečej <i>Note: Expanded IMC after the implementation of the project</i>	1. City of Kikinda – Lead partner	New IMC	10,800.00	✓
	2. Bečej Municipality			
Improving Inter-municipal Cooperation in Order to Strengthen the Capacity of the Mobility and Communication Support Service	1. City of Belgrade – Lead partner	Improving existing IMC	30,468.83	✓
	2. Vračar Municipality			
	3. Savski venac Municipality			
	4. City of Novi Sad			
Risk Mapping and Risk Assessment in the Drina River Watershed	1. City of Loznica-Lead partner	Improving existing IMC	14,000.00	✓
	2. Krupanj Municipality			
	3. Ljubovija Municipality			
	4. Mali Zvonik Municipality			
	5. Nova Varoš Municipality			
	6. Osečina Municipality			
	7. Priboj m Municipality			
	8. Bajina Bašta municipality			
Our Tara	1. Bajina Bašta Municipality – Lead partner	New IMC	14,050.00	✓
	2. City of Užice			
Establishment of a Joint Attorney's Service in the Municipalities of Rača, Lapovo and Batočina	1. Rača municipality - Lead partner	New IMC	21,628.00	✓
	2. Lapovo Municipality			
	3. Batočina Municipality			

Project Local-self Government for the 21st Century: IMC FUND 2022-2023 – 2nd Grants cycle

<i>Project</i>	<i>Lead partner and partners</i>	<i>Type</i>	<i>Budget (CHF)</i>	<i>Status</i>
Establishment of the joint office of the local ombudsman for the municipalities of Niš and Gadžin Han	1. City of Niš – Lead partner	New IMC	13.560,00	On-going
	2. Gadžin Han Municipality			
Establishing inter-municipal cooperation for the purposes of designing, building and managing the regional water supply system "Eastern Srem"	1.Ruma Municipality - Lead partner	New IMC	8.860,00	On-going
	2.Stara Pazova Municipality			
	3. Irig Municipality			
Improvement of inter-municipal cooperation in order to improve accessibility and application of Universal Design in the provision of services and information	1. City of Belgrade – Lead partner	Improving existing IMC	18.420,00	On-going
	2. Vračar Municipality			
	3.Savski venac Municipality			
	4.City of Novi Sad			
Improving the work of the Joint Service of the Drina River Basin and supporting the local population	1. City of Loznica – Lead partner	Improving existing IMC	13.800,00	On-going
	2.Krupanj Municipality			
	3.Ljubovija Municipality			
	4.Mali Zvonrik Municipality			
	5. Nova Varoš Municipality			
	6.Osečina Municipality			
	7.Priboj Municipality			
	8. Bajina Bašta Municipality			
Regional GIS Center	1. City of Leskovac – Lead partner	New IMC	18.838,00	On-going
	2.Lebane Municipality			
Establishing inter-municipal cooperation on improving the public lighting system in the Srem region	1.Šid Municipality – Lead partner	New IMC	20.500,00	On-going
	2.Irig Municipality			
	3.Pecinci Municipality			

Fund for Functional organizational models – 1st Grants cycle (2021-2022)

* Model according to the following criteria: Model 1 - up to 20,000 inhabitants; Model 2 – municipalities of 20,001-50,000 inhabitants; Model 3 – cities/municipalities of 50,001-100,000 inhabitants; Model 4 – cities with over 100,000 inhabitants

<i>Project</i>	<i>LSG</i>	<i>Model (1-4)</i>	<i>Буджет (CHF)</i>	<i>Status</i>
Citizen-Tailored Service Centre	City of Novi Pazar	4	22,370.37	✓
Improving conditions in the Municipal Administration of Golubac for providing professional services to individuals and legal entities	Municipality of Golubac	1	9,670.00	✓
Municipality Knjaževac for the 21st Century	Municipality of Knjaževac	2	4,316.68	✓
Application of a functional-organizational model in the Municipality of Bela Palanka	Municipality of Bela Palanka	1	12,850.00	✓

Fund for Functional organizational models – 1st Grants cycle (2022-2023)

<i>Project</i>	<i>LSG</i>	<i>Model (1-4)</i>	<i>Буджет (CHF)</i>	<i>Status</i>
Reorganization for more efficient administration of the City of Leskovac	City of Leskovac	4	29.895,00	On-going
Application of the functional-organizational model in the Raska Municipality	Raska Municipality	2	18.016,00	On-going
Improving accessibility of services to citizens and industry through better functional-organizational framework of the Municipal Administration Mali Zvornik	Mali Zvornik Municipality	1	21.100,00	On-going
Application of the functional-organizational model in the City of Loznica	City of Loznica	3	21.957,00	On-going