

Contact for the international experts:

Kramgasse 70, 3000 Bern 8
Tel. +41 31 312 33 30
www.advokatur-afs.ch
daniel.arn@advokatur-afs.ch
mirjam.strecker@advokatur-afs.ch

Contact for the local expert:

Bulevar Zorana Djindjica 177/19
11070 New Belgrade
Tel. 060 1300 551
Fax. 011 2699 147
mmladen@gmx.net

Bern/Belgrade

Mid-term external review of the
“Institutional Support to the Standing Conference of
Towns and Municipalities 2010-2011”
(Project to end 31 Dec 2013)

Final ReviewReport

Commissioned by:

Swiss Agency for Development and Cooperation (SDC)
SDC HQ, and SDC Office in Belgrade
att. Mr. Petar Vasilev, Ms. Beatrice Meyer, Mr. Richard Kohli

Project Implementer:

Standing Conference of Towns and Municipalities (SCTM)
Makedeonska Str. 22/VII
RS-11000 Belgrade
Project Contract: 7F-06625.01

Inception Report submitted by:

Dr. Daniel Arn. Law Office Arn Friederich Strecker, Berne
Mladen Momcilovic; Evaluation Specialist, Belgrade
Dr. Mirjam Strecker, Law Office Arn Friederich Strecker, Berne

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Contents

1. Acknowledgment	1
2. Description of Task	1
2.1. Context	1
2.2. Understanding of Review Mandate	2
3. Facts and Figures	3
3.1 Quantitative Analysis on the Basis of the Log Frame	3
3.2. Facts and Figures related to Resources of SCTM	5
3.3. Return on Investment	7
3.4 Composition of SCTM Bodies	8
4. SDC SCTM Project SWOT analysis	9
5. Qualitative Assessment	10
5.1. The project in general	10
5.2. Donors	10
5.3. Strategic orientation of SCTM/ Profile	11
5.4. Decentralization strategy of SCTM	11
5.5. Political position of SCTM in general	12
5.6. Different activities – one goal	13
5.7. Challenges and recommendations – What SCTM should discuss	16
5.8. Sustainability	23

Annexes

- I. ToRs
- II. Evaluation Team
- III. Mission Agenda
- IV. Acronyms
- V. Answers to questions of ToRs
- VI. 5 Important SCTM Campaigns or Initiatives conducted in 2010/2011

1. ACKNOWLEDGMENT

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In addition, the team would like to thank all persons interviewed during the evaluation in Belgrade and Arandjelovac, including representatives from national and local government, and implementing agencies as well as donor agencies, for their openness and willingness to share information with us.

Page | 1

2. DESCRIPTION OF TASK

2.1. CONTEXT

The Swiss Agency for Development and Cooperation (SDC) implements the Rule of Law and Democracy domain in Serbia since 2007. The part of this effort is ensuring enhanced provision of quality services by municipalities to their citizens and the inclusion of civil society and citizens in local decision-making. To this end there is a strong programmatic focus placed on a need for vertical integration and advocacy for municipalities' interests at central level through the Standing Conference of Towns and Municipalities (SCTM).

For many years a problem of institutional weakness of the local level in general, and of regional economic development disparities exists across of Serbia. One of chief causes for this was a rigid administrative and political centralization coupled with economic underdevelopment of certain regions of the country. In fact, prior to commencement of a transition after October 2000, most administrative powers were concentrated within the central government; only few competences were devolved to decentralized institutions.

It is important to note that the regional economic disparities within Serbia are the highest in Europe and continually increasing. The Southern Serbian has one of the lowermost Human Development Indicator (HDI) in Europe¹. The part nearby Bulgaria and the southeastern parts of Serbia are facing enormous economic and social difficulties. The lack of a strategy for decentralization as well as the absence of an adequate and responsive institutional framework for a better (and more balanced) LSGU development and consequent increased regional development, all contributed to the alarming situation and a huge gap.

In addition to this gap there was a gap in strategic orientation too. It is important to recognize that there were two major multi-sector medium-term strategies that determined the development context in Serbia during the 2000's. None was specifically focused on decentralization, or development of LSGU. First was the Serbian National Strategy for EU Accession and the second the Poverty Reduction Strategy. Having said this, certain provisions for decentralization were to be found in the National Strategy of Public Sector Reform². Overall, the political climate was such that none of the decentralization issues could compete with the national agenda driven by the Kosovo issue. Those times somewhat changed in terms of the agenda opening for the LSG related issues. The SCTM role in this process apparently was of a greater magnitude than generally thought as it managed to build on these results, and also adequately utilize the Swiss and other extended bilateral assistance.

Since then, Serbia's transition process assigned increasing responsibilities to LSG along the principle of subsidiarity, i.e. by bringing decision making closer to citizens. One source of political energy needed for this came from the phenomenon of strong democratic Serbian towns that goes back to 1997. Then certain LSGU started to turn pro reform that was somewhat later recognized by the Western democratization initiatives that were turned into a ma-

¹ See http://hdr.undp.org/en/media/HDR_2011_EN_Tables.pdf

² <http://www.prsp.gov.rs/dokumenta.jsp>

terial help to these towns under the name “Asphalt for Democracy”, and later other names, so to help this bottom up democratization process. This democratic capital proved to be a seed for later fruitful local legitimization and civic participation initiatives. Recent key steps in this endeavor were the adoption of a substantial number of new laws, largely SCTM advocacy driven, on Local Self Government, Local Self-Government Financing, Regional Development, Budget Systems, Territorial Organization, and many other laws. It is important to note that while the new laws constitute a chance for further decentralization and empowerment of LSGs, there remains a large potential for improving these laws and their implementation still remains somewhat of a challenge.

Also important is to recognize that 145³ cities and municipalities suddenly took up new LSG tasks and responsibilities that demand increased yet at time missing capacities and capabilities. The central government, on the other hand, was – from the municipalities’ point of view – not effective enough in developing feasible implementing procedures and, in particular, making sufficient budgets available for the decentralized functions (missing connexity between the rapid devolution and resources for LSGU to perform)⁴. The later has dramatically improved, as this review shows largely due to the SCTM efforts, while the former still represent a big problem.

However, although the problems persist, number of beneficial reform initiatives took place over the past decade when parliament in 2002 adopted the new law on Local Government. In 2006 a line ministry was formed focused at the issues of local self-government⁵ and in 2008 the Ministry for Economy was expanded to encompass regional development and was renamed to the Ministry for Economy and Regional Development⁶. Many already mentioned important system laws were passed and still will have to be improved, however, the implementation, as stated above, of laws and relevant strategies and action plans, remained hindered by a generally weak public administration and changing political realities pertaining to governance.

It is within this challenging context that SDC’s implements its (2010-2013) present institutional support to the Standing Conference of Towns and Municipalities (SCTM). In many ways this initiative works together with other Swiss initiatives like the completed Municipal Support Program (MSP), implemented in selected municipalities in West-central Serbia over the past decade, as well as with the Swiss co-financing arrangement with the EU of the PRO Program in Southwest Serbia, 2006 to 2010, and its successor program PROGRES. These collaborations are now experiencing its logical finale in this institutional support to the SCTM. This SDC project seeks to help SCTM in their effort to strengthen the voice of municipalities and towns in setting the decentralization agenda, as well as enabling the cooperation between the SCTM and relevant line ministries to be more efficient and binding.

As a consequence of this project clarity and effectiveness, institutionally awaken LSGU through the works of SCTM supported by the largely donor driven EU Accession and LSG development agenda, have started few years ago to increasingly fill the above demarked gaps and challenges. This is specifically evident by observing a rapid development of the effective SCTM role within this agenda, for which the Swiss support, this review showed, was instrumental.

2.2. UNDERSTANDING OF REVIEW MANDATE

Swiss Agency for Development and Cooperation (SDC) has mandated three consultants to conduct the mid-term review of the SDC-funded “Institutional Support to the Standing Conference of Towns and Municipalities (SCTM) 2010-2011”(Project to end 31 Dec 2012).

³ The number of LSG units (Belgrade, towns and municipalities) in Serbia without Kosovo

⁴ As stressed in talks to the reviewers by representatives from the local level.

⁵ <http://www.drzavnauprava.gov.rs/#>

⁶ <http://www.merr.gov.rs/en>

Both, SDC and SCTM, provided consultants with a set of primary and secondary documents, former in English language and the latter in Serbian language, about the SCTM activities encompassed by this SDC support. According to the Terms of Reference⁷ the main objective was twofold: On one hand, to assess the relevance of the interventions, and on the other, to assess the preliminary effectiveness of these interventions.

Furthermore, the reviewers were encouraged by the client to go beyond the Project's existing log frame and documents, and to consider the challenges and opportunities of the context.

The quantitative and qualitative assessment through desk study, interviews triangulation, and other standard review methodologies were the prime instruments of the review team.

The following specific methods were used for data collection and analysis of relevant information:

- a. Analysis of the primary and secondary project documentation and other literature
- b. Interviews with key persons (semi-structured with guiding notes) in Serbia
- c. Telephone Interviews
- d. Site visits
- e. Direct Observation
- f. SWOT – Analysis

The triangulation of the data was done on a comparative basis:

- a. From project documentation to the information provided by project partner in interviews
- b. From interview to interview
- c. From interviews held with representatives of SDC and SCTM to interviews with other stakeholders
- d. From secondary literature to the information given in interviews
- e. From observation to interviews

This review was also formative, participative, process-oriented and constructive. The project was assessed in terms of:

- a. The project relevance
- b. Level of preliminary effectiveness

The review specifically reviewed and considered the project objectives:

- a. The level of improvement of the SCTM ability to address the needs of the its constituency through information exchange and consultation activities, and
- b. The level of active advocacy for the interest of member towns and municipalities enabling them to be heard across of the national level.

An overview of the answers to the questions of the ToR can be found in annex V.

3. FACTS AND FIGURES

3.1 QUANTITATIVE ANALYSIS ON THE BASIS OF THE LOG FRAME

Despite the fact that the project reached only a mid-term point it can be said that besides the numerous outputs the project sizably contributed to both designated outcomes, of which all the results are clearly produced as a result of the past project activities. Thus, one can say that SCTM has produced the expected results and is on the right track.

In fact, it is clear that the project's log frame outcome 1 ("LSGs are participating more intensely in discussion on common interests with each other and with the central government. LSGs are more aware of their role in the advocacy process (formulating and defending of interests)"), has been substantially met in many respects.

⁷ Dated 15th November 2011, annex I.

The review mission observed from various SCTM reports, meetings, and the web site that a number of instruments for field advocacy have been installed (Output 1.1. "SCTM interactions with members in the field of advocacy are improved".) These include: a network of advisors, working groups, collection of individual opinion and initiatives, performed surveys, etc. It is also a finding via review mission's meetings, documents review, and other ways, that the SCTM interacted with the line ministries and other parts of the government towards the end of enabling the LSGU to take part in legislative and policy making processes. Especially telling was the 2010 and 2011 LSGU campaign 'SCTM - Our Address' that substantially contributed to the higher rate of the LSGU inclusion. As for the Output 1.2. ("SCTM interactions with the central government are improved allowing local authorities to continuously monitor and influence the legislative process and the implementation of the legal framework for local government") the mission review observed a number of participative and successful law-making initiatives. Another good example for this is the 2010 successful effort of the return of unconditional financial transfers to LSGU. Finally, against the Output 1.3 ("The recognition of the advocacy activities and the awareness of SCTM members about them and their significance are improved") the review mission found via the interviews with LSGU that the LSGU are not only aware but participatory and enthusiastically oriented towards a number of SCTM activities. This is especially true for number activities that were very beneficial to the LSGU like the set of important laws and regulation that enabled an increase of the resources at disposal of the LSGU. Moreover, it has been found via the review of legal bulletins and correspondences that a number of promotional and informational materials on SCTM advocacy activities were regularly prepared and distributed. The set of secondary materials provided by SCTM abundantly shows this.

It also appears that much good has been done towards achieving the project's Log frame Outcome 2 ("SCTM has more capacities to provide advocacy services. SCTM is better organized and program-oriented"). In fact, the review mission observed from meeting and various SCTM reports that to a large extent the Output 2.1 ("Continuous program-based advocacy approach is implemented through program documents, strategy and action plan") has been met. This is especially true for the Output 2.2. ("Capacities of SCTM's political bodies and Sector for Advocacy are improved"). Towards the first activity, it is evident that the continuous program based advocacy approach is being implemented through the strategic plan, a joint program document (the Basic Policy Platform), and yearly action plans. And towards the second activity, it has been found that both the database of local legal acts and a database of models of local legal acts are nearly prepared while the action plans were made for both years 2010 and 2011.

Reviewing the above mentioned indicators from the provided sources it also could be said that the agreed milestones have been reached by large. These include establishing a separate section on the SCTM website dedicated to advocacy activities (milestone 5 related to output 1.3.) as well as milestone 6, i.e. the SCTM adopted the Basic Policy Platform, enabling different advocacy programs.

Visibility of SCTM has risen enormously since 2010. For example SCTM's media visibility largely increased after the beginning of the SDC-funded project. Specifically, during 2011, texts related to SCTM activities have been mentioned in over 120 print media articles, 55 articles on websites and around 60 times on TV. During 2010 there was over 170 articles in press and websites and over 20 TV appearances. In comparison, 2009 saw around 100 print media articles. The number of SCTM website hits also increased and amounts to around 10.000 a month⁸. A number of secondary materials provided by SCTM (photos and media recordings) testify to the above evidencing.

⁸ All data received by the review team from Mr Nikola Tarbuk, Managing Assistant to Secretary General for Advocacy at Standing Conference of Towns and Municipalities

3.2. FACTS AND FIGURES RELATED TO RESOURCES OF SCTM

The quantitative analysis employed techniques of breaking down, examining, comparing, and conceptualizing available data relevant to the project. Such overall quantitative analysis of the numbers and figures found (all shown below) determined that this project showed no discrepancies or issues that warrant concern.

Page | 5

Overall annual budget allocations are evenly spread and match the projected activities. The relationship between expenditure used for administrative versus program activities also seems favourable, as this ratio was 59:41 in 2010, even improving slightly – to 58:42 – in 2011.

Donations to SCTM in both years were very numerous. In 2011, they came from twelve sources. This diversification illustrates the good strategic position of SCTM, whereby it is more likely to preserve its development orientation and priorities, rather than being donor-driven in its development. On the other hand, the SDC project comes only second to EU funding by volume. The Swiss contribution is thus obviously a very important one to the SCTM's mission and programing. In 2010 project resources provided by SDC accounted to some 13% of the total SCTM budget, while in 2011 this percentage climbed to 18%.

It is interesting to note that the collection of membership fees rose from 15% in 2010 to 28% in 2011. Although this is still far from providing any degree of serious financial sustainability, it is in fact a very good trend and achievement. A deeper analysis conducted by the review mission showed that this indicates that the level of ownership of SCTM is the same across all LSG units. Virtually all LSGUs pay their membership fees.

Finally, figures showing the proportion of the SCTM budget spent on advocacy versus services show a trend of a larger growth in expenditure of advocacy activities compared to services, from 36% in 2010 to 39% in 2011. This trend is commendable and is very likely to yield more new returns not reported here.

3.2.1. SCTM Budget

In the following table each annual total budget includes the amounts spent from projects. The rest of funds which remains on each project's account is not included in the SCTM budget (operational and program costs), because these are donors' funds at the SCTM disposal, but which are returned to donors in case they are not spent. Operational-administrative costs include the salaries of all SCTM employees, including those coming from the projects. Total estimated budget for advocacy and services also include salaries of SCTM employees from these sectors.

2010 in RSD (RSD 79=1 CHF)		2011 in RSD (RSD 79=1 CHF)	
Total estimated SCTM Budget	171,000,000.00	Total estimated SCTM Budget	187,500,000.00
Membership Fees	28,600,000.00	Membership Fees	52,000,000.00
Total estimated operational-administrative costs	100,000,000.00	Total estimated operational-administrative costs	104,000,000.00
Total estimated direct program costs	70,000,000.00	Total estimated direct programme costs	76,000,000.00
Total estimated costs - SCTM internal budget	37,000,000.00	Total estimated costs - SCTM internal budget	50,000,000.00

Total estimated costs covered by projects (incl. SDC)	133,000,000.00	Total estimated costs covered by projects (incl.SDC)	130,000,000.00
Total costs - SDC	22,355,421.57	Total costs - SDC	31,698,773.34
Total estimated budget - advocacy	43,500,000.00	Total estimated budget - advocacy	52,000,000.00
Total estimated budget - services	79,000,000.00	Total estimated budget - services	80,000,000.00

3.2.2. Overview Administrative Costs versus Program Costs

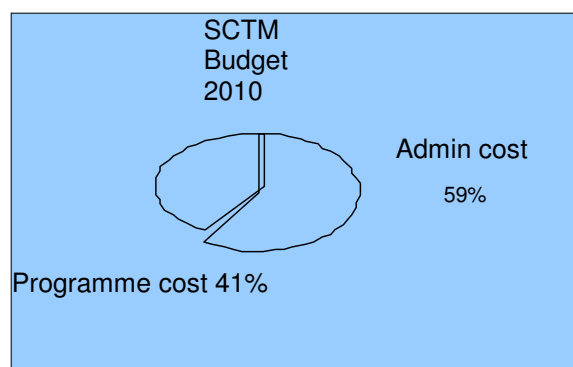


Fig 1: SCTM 2010 Budget: Admin vs. Program

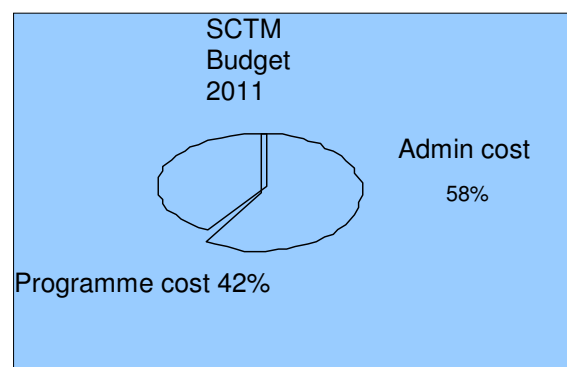


Fig 2: SCTM 2011 Budget: Admin vs. Program

3.2.3. Level of Donations for 2010 and for 2011 (estimated by SCTM)

	Project Name	2010 in RSD (RSD 79=1 CHF)	2011 in RSD (RSD 79=1 CHF)
1	EU (EXCHANGE 2 and 3 + CoE)	54,700,000.00	54,910,000.00
2	SDC	22,355,421.00	31,698,773.00
3	IMG 3	18,700,000.00	
4	GIZ	10,210,000.00	9,675,000.00
5	UNDP		5,100,000.00
6	UNDP- SIDA	10,000,000.00	
7	KWF	6,340,000.00	2,900,000.00
8	KS (Norwegian Government)	4,200,000.00	14,000,000.00
9	OSI	2,500,000.00	
9	USAID/ISC	1,400,000.00	760,000.00
10	LOGO EAST	1,040,000.00	
11	MATRA (Dutch Government)	800,000.00	
12	NALAS	800,000.00	9,150,000.00
12	OSCE		1,300,000.00
14	Total:	132,245,421.00	129,493,773.00

SDC is one of the largest individual donors to SCTM, contributing to 13% of total SCTM budget in 2010, and 18% in 2011.⁹

3.2.4. Membership Fees in Relation to Donors' Support

The level of financing through membership fee is low but rising (see 'Fig 3' and 'Fig 4'):

⁹ All the financial data about SCTM was received by the review team from Mr Nikola Tarbuk, Managing Assistant to Secretary General for Advocacy at Standing Conference of Towns and Municipalities

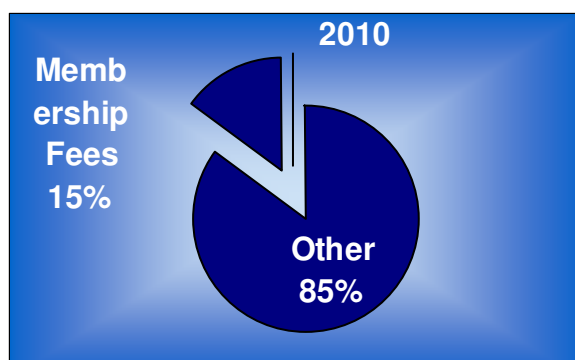


Fig 3: SCTM 2010 Budget: Fees vs. donor

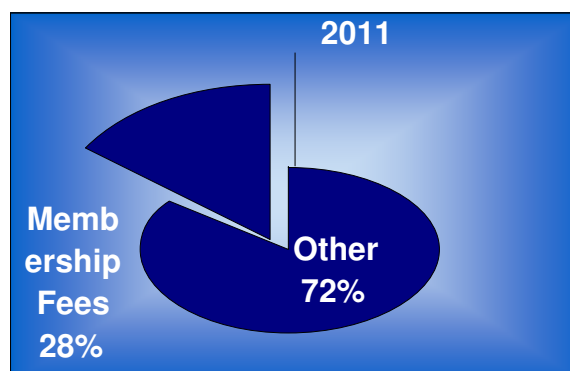


Fig4: SCTM 2011 Budget: Fees vs. donor

3.2.5. Swiss Dominant Support to the SCTM Advocacy Wing

The SDC supported project clearly is focusing on aiding the advocacy wing (vs service wing).

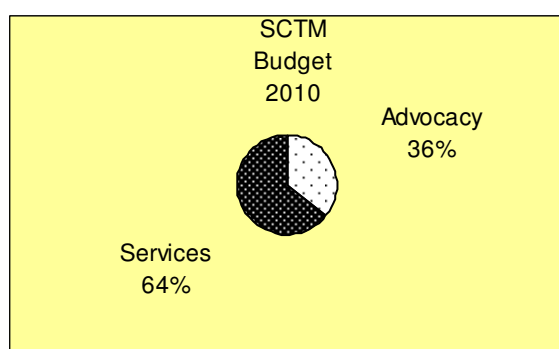


Fig 5: SCTM 2010 Budget: Advocacy vs. Services

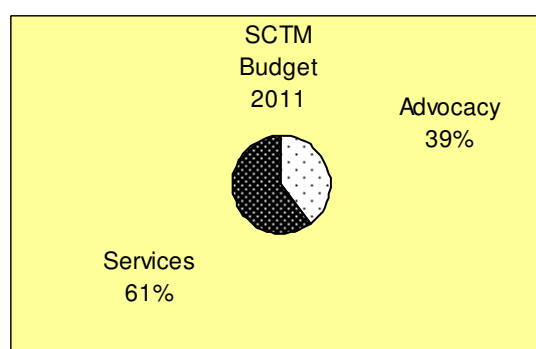


Fig 6: SCTM 2011 Budget: Advocacy vs. Services

3.3. RETURN ON INVESTMENT

The resources so far invested by SDC in this institutional capacity building initiative provided to SCTM amount to 22,355,421 RSD for 2010 and 31,698,773 RSD for 2011. Total SDC's transfers to the SCTM amount to 1,020,000¹⁰ CHF¹¹ for these two years. Substantial currency exchange rates fluctuation in favor of the CHF have caused lower rate of spending for the first two tears of the project than initially anticipated.

The following are the results in the form of a financial gain to the benefit of the LSGU budgets for which a plausible estimate of financial effects can be made and which are fully attributable to the SDC advocacy interventions supported by the SDC project:

- On the one hand, the return of unconditional transfers in 2010 and 2011 represent the biggest single success. Once it took place local authorities received the return of RSD 1 billion in 2010 and RSD 4.1 billion (total 5.1. billion) of increase to what the Government originally planned before SCTM's advocacy pressure.¹²

¹⁰ Source: Project Docs and SCTM.

¹¹ Total SDC's transfers to the SCTM are given only in CHF rather than in RSD too, as the exchange rate over the given period has been fluctuating hence the RSD amounts from different periods do not add up, while the amounts in the CHF do add up.

¹²Context: The 2011 changes of the Law on LSG Financing—in which the SCTM also took part and to which it provided support—changed the system of LSG financing and emphasized the financing through a part of salary tax which goes to local authorities enlarged from 40% to 80%. In accordance with this 2011 budget rebalance, the total amount of unconditional transfers in 2011 was reduced for approximately RSD 2.5 billion, i.e. that money was transferred to the amount financed through the part of salary tax which now belongs to local authorities (SCTM at the moment does not have the exact data on accurate nominal increase), so the estimate is that local authorities in total received more money than originally envisaged by the 2011 budget.

- On the other hand, a group of the following SCTM initiatives in aggregation also resulted in substantial financial returns.
 - Prevention of an attempt to limit company communal tax in the changed Law on LSG Financing (June 2011) resulted in saved revenues of RSD 40 million; or ca. 4% of the LSGU budgets.
 - Enabling the calculating of the land use fee according to usage category, as requested and proposed by the SCTM during the drafting processes of the Law on Planning and Construction and Law on Communal Services (2011) resulted in saved revenues of RSD 50 million; or ca. 5% of the LSGU budgets.
 - Approximate amount from legalization and land development fee in the process of legalization, enabled by the Law on Planning and Construction's provisions advocated by the SCTM, resulted in potential revenues of RSD 26 million; or ca. 2.6% of the LSGU budgets.
 - As a consequence of SCTM advocacy enabled financing of the line infrastructure construction in the areas where construction occurred without planning, through the tax for plugging-in as a public income (a kind of land development fee), and not as a communal service, as to the Law on Communal Services (2011) could result in revenues in excess of RSD 10 million; or ca. 1% of the LSGU budgets.
 - Finally, allowing the charging of public light through the bills of electricity supplier, as advocated by the SCTM during the drafting process of the Law on Communal Services (2011) resulted in new revenues in excess of RSD 25 million; or cca. 2.5 % of the LSGU budgets.

The savings and/or remained revenues **total RSD 151¹³ million; or cca. 15% of the LSGU budgets.**

3.4 COMPOSITION OF SCTM BODIES

3.4.1. Political Composition of the Presidency

The following table clearly shows the political dominance of DS, the Secretary General is also a member of DS.

	2008-2009 Presidency	2010-2011 Presidency	2012-2013 Presidency
Total membership	22	19	22
Democratic Party	14	14	19
Democratic Party of Serbia	3	2	
Serbian Radical Party	2		
Together for Sumadija-Kragujevac	1		
New Serbia	1		
Movement for Krajina	1		
United Regions of Serbia and Together for Sumadija		2	1
Socialist Party of Serbia		1	1
Sandzak Democratic Party		1	1

¹³ This sum does not contain the return of unconditional transfers.

3.4.2. Geographical/Size Membership in SCTM's Committees

Most if not all LSGU sent at least one representative into one of the committees of SCTM during 2010/2011. The mix of the large, mid, and small size of LSGU seems to be well represented as well as the geographical spread: there are LSGU from 5 parts of the country, Vojvodina, Belgrade, Central Serbia, South-eastern Serbia, and Western Serbia.

4. SDC SCTM PROJECT SWOT ANALYSIS

SWO T	Positive	Negative
Internal Factors	Strengths • Strong common LSGU Agenda and Goals; • Participatory Advocacy; speaking with one voice Politically strong Very skilled and dedicated staff • Strong effectiveness: New laws and policies, savings for LSGU, etc.; • 'Shield' for LSG party cadre from the national leadership of the party¹⁴; • Excellent cooperation with the line ministries; • High up on donors agenda; • Commencing process of strategic and institutional revision. • Filling gap left by the Central State Institutions	Weaknesses • Challenge to adequately ensure for clear strategic perspective (Basic Policy Platform to be further developed) • Formal structure does not allow for quick and flexible decision-making • Unclear necessity for overly elaborate committee structure¹⁵.SCTM due to its successes focused on itself (not actively seeking for reflection of outside view)
	Opportunities • Clear agenda: Much to be done on implementation and facilitation of LSGU capacity building; • Phase of one/few political party/s dominance and continuous good effects to SCTM; • Voluminous donors Pre-Accession funding, very likely to prolong; • Access to comparative know-ledge.	Threats • Potential conflicts of interests between members • Changes in the political landscape could influence political power of the organisation; • Mid-term: Accountability to donors instead of stakeholders? (not where institutional support) • Long term: Donors departure. • Filling the gap of Central State institutions might be detrimental to development of these institutions

¹⁴ For further information see ch. 5.5.

¹⁵ For further information see ch. 5.7.8.

5. QUALITATIVE ASSESSMENT

5.1. THE PROJECT IN GENERAL

- Based on the conviction that SCTM can positively influence the decentralisation process the project aims at strengthening its institutional position (institutional support).
- The expected outcome is that the state will be better organised and that citizens get better services, tailored to their needs. This expectation is based on the assumption that municipalities represent the interests of their citizens¹⁶, SCTM is bundling the interests of the municipalities and effectively represents the municipalities vis-à-vis the Central State.
- SCTM can be successful only if it disposes of the necessary room for manoeuvre (“doing the right things in the right moment”). In particular, SCTM can evolve as an organisation accountable to its members only if donors grant SCTM the necessary room for deciding what activities to pursue in the interest of the municipalities. Even if SCTM is financed mostly by donors and not by membership fees at the moment, it is of crucial importance that accountability relationships evolve in a first instance between SCTM and its members and only in a second instance from SCTM to the donors. The approach chosen by SDC (institutional support) is very valuable in this regard.
- Effective representation of the municipalities implies the following: SCTM needs to find out the needs of the municipalities (participation), to consider the inputs coming from the municipalities within a holistic approach and to define a position of the SCTM, to consolidate this position in important matters with the constituents (municipalities) and in the „courant normal“ with the elected bodies of the SCTM (legitimation) and try to influence the Central State towards adopting changes towards the position of SCTM (advocacy). The project set-up with two objectives (1: improve the interactions between SCTM and municipalities (englobing participation and legitimation), and 2: improving capacities for advocacy (content-wise and organisation-wise) is appropriate since it addresses exactly the two main links (SCTM - municipalities and SCTM – Central State that have to be in place for a successful representation of municipalities at the Central State level. One has to bear in mind that both dimensions (participation/legitimation and advocacy) are intrinsically linked.

Page | 10

Conclusion

The project set-up (institutional support with rather loosely formulated objectives, aiming at improving the links between SCTM and its members on the one hand and SCTM – Central State at the other hand) is very appropriate to support SCTM in becoming an institution accountable to its members. The project is very relevant and it seems to be plausible that the results the quantitative analysis has clearly shown may be attributed to a large extent to SDC support.

5.2. DONORS

- SCTM is being supported by various donors. While SDC has a clear focus on institutional support in the area of advocacy many of the other donors are applying a project-approach. It is not always clear whether an activity is carried out under an institutional or a project grant.¹⁷
- An enhanced coordination of donor-financed projects would be desirable. SDC is actively promoting such coordination but apparently not all the donors acknowledge this necessity. SCTM is trying to coordinate at the level of activities, which is to be very welcomed, but still donors should reflect whether a better coordination on a strategic level would not be an asset for them.

¹⁶ See, for further information on this, ch. 5.7.3.

¹⁷ This is not to say that there is a risk of double funding but interlocutors often did not make any difference between the two wings when talking about SCTM.

- Moreover it would be desirable that donors develop common positions, i.e. regarding the decentralisation agenda, allowing the donor community to back the positions of SCTM.
- Finally, donors financing projects in the field which are connected to strategic issues of decentralisation¹⁸ should align their projects with SCTMs decentralisation strategy¹⁹ and should be in some way or another linked with SCTM.

Conclusion

Donor coordination is indispensable. SCTM is trying to coordinate the donors at the level of activities.

5.3. STRATEGIC ORIENTATION OF SCTM/ PROFILE

- SCTM has two focal points of activities: advocacy and service delivery (the latter including advisory activities, training activities and project implementation in individual municipalities). The combination of advocacy and services (in particular donor project implementation) is - from a strategic perspective - questionable.
- On one side there is
 - a danger of conflicts of interests emerging between different municipalities and of causing envy between municipalities if SCTM is implementing projects for individual municipalities (or groups of municipalities);²⁰
 - a danger of losing sight of the core business (advocacy) if too much engaged in service activities.
- On the other side the engagements in the field (gained when implementing projects with individual municipalities) allow important knowledge to flow into the organisation. Thanks to its services-wing SCTM is perceived as an organisation which knows the problems from the field engagement, not from the desk. Moreover the services-wing allows to build up good contacts to the members which facilitates networking and recruitment and – essential for the advocacy-part – helps to fortify SCTMs anchorage within the members.²¹

Conclusion

The combination of advocacy- and service-activities is questionable from a strategic perspective. It is important to be aware of the potential threats inherent to this strategy. Up to now the potential threats have not occurred while it seems that SCTM has succeeded in making full use of the respective opportunities.

5.4. DECENTRALIZATION STRATEGY OF SCTM

- In a situation of 'extraordinary monolithness' that might, however change within short terms as the results of the upcoming elections²² are not clearly predictable, it is not easy (and in our view not appropriate) to pursue a rigidly formulated long-term strategy.
- This is not to say that the every-day business needn't be embedded in a strategic framework. SCTM disposes of such a framework:
 - As far as can be seen SCTM is oriented towards European standards (in particular towards the European Charter on Local Self-Government).²³
 - The organisation disposes of a strategic plan which stipulates a program-based approach. Yearly elaborated action plans provide the necessary framework for each sector of activities.

¹⁸ Such as e.g. EU/SDC-financed PROGRES project.

¹⁹ See, on SCTMs decentralisation strategy, ch. 5.4.

²⁰ At least for as long as SCTM is offering these services for free.

²¹ A number of interviews LSGU officials testified to this.

²² Municipal, Provincial, and National Parliament election scheduled for May 6, 2012

²³ See article 2 of the statute. This orientation is visible also in positions SCTM is defending vis-à-vis the Central state.

- Moreover, during the year 2011 SCTM conducted a fully participatory process which resulted in the adoption of a consolidated document named “Basic Policy Platform”, containing approximately 30 positions of the SCTM on different issues being of relevance for the municipal level.²⁴ It is planned to adapt this paper every year.²⁵
- SCTM is aware that the every-day business is to be conducted within the framework set by these documents and that the documents need to be adapted if changes in the political context require such amendments.

Conclusion

In absence of a relevant strategy on the side of the Central State, SCTM disposes of a strategy for decentralisation backed by the members and in the daily business is adhering to this strategy. When necessary due to changes in the context SCTM is adapting its strategy.

5.5. POLITICAL POSITION OF SCTM IN GENERAL

- SCTM is without any doubts an important player in the Serbian context. The last general assembly was even attended by President Tadic, the President of the National Assembly, the Vice President of the Government and several ministers.²⁶ This means that SCTM is to be taken for serious.
- Both, the Municipalities and the Government fully recognise SCTM as legitimate speaker on behalf of the municipalities. It clearly resulted from the conducted interviews that all involved actors highly trust in SCTM.
- Having in mind the successes of SCTM in recent law-making processes influence of SCTM on Government and Parliament seems to be high.
- The political situation in the country is rather favourable for SCTM at the moment: The majority (and in particular the population-wise most important municipalities) are governed by the Democratic Party of Serbia or its allies, i.e. by the same political forces that are governing the Central State. SCTM therefore can use the party-line as an effective lobbying channel.²⁷
- At the same time SCTM proved on several occasions that it is not a party-driven organisation but an organisation that is giving priority to “the local interest”. In difficult situations it happens that SCTM arranges important Mayors (from the same party as the Government) to jointly and openly intervene in the political process, taking positions against the party but for the local interest.
- SCTM has built up good relationships with its members and seems to take into account in particular the interests of small municipalities. Although somehow giving special attention to the problems of small/poorer municipalities, big municipalities point to the fact that SCTM manages to bring about a good return of investment also for them.
- One interlocutor described SCTM as “a wonder” because it is able to speak for the local level with one voice in a country where everything is divided. SCTM successfully integrates different political parties, rich and poor municipalities, municipalities with and without minorities, etc.
- In many Eastern-Europe Countries political parties have a rather dominant position, making it difficult for individual actors to openly speak against the party-line. SCTM is appreciated by its members because it can act on behalf of them, allowing single members to feed in positions which they would not otherwise openly defend because of potential reactions from the political parties.²⁸

²⁴ The paper is organised around the following topics: (I) Introduction, (II) Primary systemic issues, (III) Local authorities, (IV) Local finance/public property and restitution, (V) Local economic development/planning, (VI) Infrastructure, (VII) Housing and communal services, (VIII) Spatial and urban planning and construction, (XI) Environmental protection and rational use of energy.

²⁵ SCTM did not elaborate white papers for each of the sectors since the Basic Policy Platform is dealing with positions of SCTM not only with regard to matrix questions but also with regard to sector policies.

²⁶ We were told that President Tadic was present even before the meeting started.

²⁷ If the political landscape should change in the country, SCTM of course would have to find new channels for lobbying.

²⁸ One interlocutor formulated it this way: “It is correct to say that SCTM has in the past provided a shield against attempts by political party leaderships to have their LSG members forcefully push their agenda and be very successful at that”

Conclusion

SCTM clearly is an important political player who is recognised as a legitimate speaker on behalf of all municipalities and who cannot be passed by. Although largely dominated by the political parties that are in power at the Central State level, SCTM has shown on several occasions that it is standing up for municipal interests even if they are not in the party line.²⁹

5.6. DIFFERENT ACTIVITIES – ONE GOAL

5.6.1. Overview

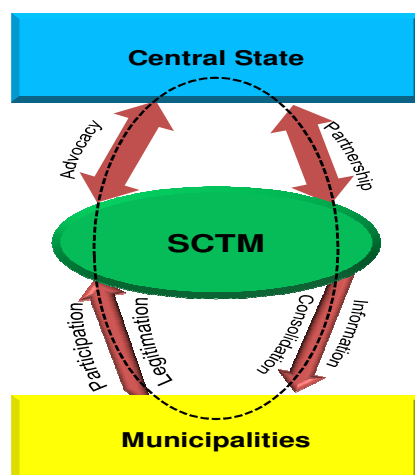
SCTM is organised into an advocacy- and a service-wing. The activities of the advocacy-wing might be categorised as follows:

- **Advocacy:** SCTM organises interventions at the Central State (Government, Ministries, Parliament) and tries to influence and to steer the political process when issues linked to decentralisation and local self-government are at stake.
- **Participation:** SCTM needs to be in contact with the municipalities as its members (in order to find out the needs of the municipalities and in order to consolidate positions of the SCTM as well as to integrate municipalities in the processes).

Advocacy and participation in the sense mentioned above can be seen as different activities. One should bear in mind, however, that SCTM can act successfully only if both activities are understood as an intrinsically linked cycle. Advocacy without participation or participation without advocacy makes no sense.

- **Assistance:** If successful participation and advocacy result in better Laws and By-Laws, taking into account the needs and the interests of the local level this is of course a big success. However, the adoption of a good legal framework is only the first step towards successful decentralisation. SCTM therefore has decided to support, with its advocacy wing, its members in the implementation of the national legal framework at the local level. This activity is not to be confused with SCTM implementing projects in individual municipalities (this being done by the service-wing). Under what we label „assistance“, SCTM is elaborating model-statutes, model-decisions, model-contracts, handbooks etc. which can be adopted by the municipalities according to their needs and of course on a voluntary basis. It is not evident that SCTM – within the advocacy-wing – is giving such assistance to its municipalities; such activities could also be understood as being part of the service-wing. When looking at it more closely, assisting the municipalities with the implementation of the national Laws at the local level appears to be the logic next step after successful advocacy. All activities (participation/advocacy, but also assistance) are carried out for reaching the same goal: strengthen the municipalities in order for getting better services for the citizens, tailored to their needs.

²⁹ In bloomy terms SCTM might be viewed as a mighty knight (important political player) on a strong horse (all municipalities) with a long lance to fight against the Central Government and a broad shield against shots from behind (protection from partisan influence).



Conclusion:

The different activities are to be understood as a unit, advocacy and participation are intrinsically linked and assistance is the logic next step to strengthen the municipalities.

5.6.2. Advocacy

- The advocacy wing with its 11 employees is conducting an impressive range of activities (including assistance in the sense mentioned above).
- In the area of advocacy it is important to find the right balance between diplomacy (requiring a good and trustful relationship with the Central State) and – where necessary – open political confrontation with the Central State. While some interviewees were of the opinion that SCTM should be more visible and aggressive, we have the impression that SCTM has found the right balance between diplomacy and visibility. More visibility/aggression could quickly turn out to be counterproductive since open controversies could destroy the good relationship with the Central State.
- Several interviews conducted with representatives of the Central state showed that SCTM is seen not only as a politically strong partner who cannot be passed by, but also as a partner whose inputs add quality to the laws (because SCTM offers great expertise in the area of good governance/law-making and knows about the developments at and needs of the local level). On several occasions SCTM was asked by the Central State authorities to provide SCTM-drafts of Central-State-Laws which obviously is a great opportunity for the municipal level to influence law-making at a very early stage.
- The consultation of SCTM in the law-making process is not yet formalised in the sense of being mandatory for the Central State (SCTM has formulated a respective request towards the Central State). In practice, however, SCTM cannot be passed aside, as has been confirmed by several interlocutors of the Central State level.
- As already mentioned above the political constellation is favourable but nevertheless it can be said that on a whole SCTM is playing good music on the „political piano“³⁰ and can show substantial achievements, just to name a few of them³¹:
 - Return of unconditional transfers: In 2010 and 2011, local authorities received the return of RSD 1 billion in 2010 and RSD 4.1 billion (total 5.1. billion) of increase to what the Government originally planned before SCTM's advocacy pressure (campaign, petition, etc.).³²

³⁰ In the words of an interlocutor (from donor community): „The immense advocacy result achieved by SCTM since 2010 has clearly created a robust image for SCTM as an important LSG stakeholder that cannot be avoided“.

³¹ More information on this can be found in chapter 3.3 (return of investment).

³² Source: SCTM. The 2011 changes of the Law on LSG Financing—in which the SCTM also took part and to which it provided support—changed the system of LSG financing and emphasized the financing through a part of salary tax which goes to local authorities enlarged from 40% to 80%. In accordance with this 2011 budget rebalance, the total amount of unconditional transfers

- Law on Law on Planning and Construction: Enabling the calculating of the land use fee according to usage category, as requested and proposed by the SCTM during the drafting processes of the Law on Planning and Construction and Law on Communal Services (2011): RSD 50 million; 5% of the budget.
- Law on LSG Financing: SCTM prevented the limiting of company communal tax in the changed Law on LSG Financing (June 2011): RSD 40 million; 4% of the budget.

Conclusion

SCTM is conducting an active and successful advocacy in the framework of its strategic positioning. The political constellation is favourable because the mayors of many (and of most influential) municipalities have the same political affiliation as the Government.

5.6.3 Participation

- SCTM enjoys a high degree of legitimacy. Almost all municipalities are members³³ and membership has been renewed recently. While, several years ago, some of the municipalities were thinking of cancelling their membership, nowadays municipalities, also the small ones, seem to be highly convinced that being member of this organisation is in their very interest. The composition of the (in numbers rather large) bodies (presidency, committees, etc.) ensure broad participation by the municipalities. The composition of the presidency has been revised recently in order to allow equal regional representation, representation of small and large members, representation of the two poorest members and the two municipalities with the largest percent of citizens belonging to a national and ethnic minority. Every single municipality has a representative in at least one of the committees.
- From all interviews it clearly resulted that SCTM is strongly rooted in the municipalities. For the municipalities it is clear that SCTM is their organisation and that SCTM has to play a role in future, even if donors would not any more finance this organisation³⁴, Municipalities confirm that SCTM is taking up all important topics, according to their needs.
- The municipalities as a rule use SCTM as the channel to approach the Government (and even big municipalities seem to use this channel sometimes)
- Also the interests of small municipalities are duly represented by SCTM. This can be shown using the example of return of the unconditional grants: The small municipalities made the bigger profit out of the return of the unconditional grants than the bigger ones and the biggest ones (e.g. Belgrade) didn't get any funds out of this deal.³⁵
- Municipalities are able to participate on a regular basis in the forming of the positions of SCTM.³⁶ SCTM has conducted a series of participatory processes, including petitions, the Basic Policy Platform etc. and the municipalities lively participate in these processes (the return rates of questionnaires sent to municipalities and similar being very high). Of course it is not appropriate to include all municipalities in all decisions. We had the impression that SCTM is making use of participatory processes in an appropriate manner.
- It goes without saying that not all municipalities have the same perception of SCTM. From what we could see it can be assumed, however, that the vast majority of municipalities are support the activities of SCTM and feel being represented.

Conclusion:

Inclusion of the municipalities in issues of political significance seems to be comprehensive. The balanced composition of the bodies of the SCTM ensures sufficient participation in cases where not all municipalities can participate in the process of forming the opinion.

in 2011 was reduced for approximately RSD 2.5 billion, i.e. that money was transferred to the amount financed through the part of salary tax which now belongs to local authorities (SCTM at the moment does not have the exact data on accurate nominal increase), so the estimate is that local authorities in total received more money than originally envisaged by the 2011 budget.

³³ The only municipality who is not a member is the municipality of Kostolac, but this might change after elections.

³⁴ although SCTM believe they will continue financing for the upcoming mid-term at least.

³⁵ So in 2010 out of 1 billion of returned funds half was allocated among the small LSGU and another half to all.

³⁶ A number of SCTM provided secondary documents testify this.

5.6.4 Assistance

- The question might be asked whether assistance to municipalities in implementing the Laws of the Central State is a task of the Central state or of the municipalities (i.e. SCTM). In the end the Central State is accountable for legality and therefore it should do everything in order for supporting the municipalities in implementing Central State legislation in a legal manner.
- It is, however, a fact that the Central State in many respects does not have the will/(n)or the capacities to deal with implementation of its Laws by the municipalities. SCTM is filling this gap when providing valuable support in the form of model-acts (statutes, decisions, contracts, manuals) that can be used by the municipalities.³⁷
- When elaborating these model acts SCTM can make use of the knowledge it gained in its advocacy activities during the law-making process. At the same time SCTM can profitably use its personal relations to the ministries.

Page | 16

Conclusion

SCTM is delivering valuable services for municipalities in the area of „assistance“ which could also be expected to be delivered by the Central State. For the municipalities it is a major added value³⁸, if they don't need to invent everything by themselves.

5.7. CHALLENGES AND RECOMMENDATIONS – WHAT SCTM SHOULD DISCUSS

5.7.1. General Recommendation

- The following observations regarding the challenges (ch. 5.7.2 to 5.7.12) are presented here although we are conscious that SCTM knows about these challenges and that SCTM disposes of the knowledge, the resources and the instruments to deal with these challenges in time.
- The recommendations are not to be understood as concrete “to do's” but rather as an identification of issues which should be discussed and further developed by SCTM and for which SCTM should try find solutions or, as the case may be, decide that they are not to be further considered.
- It would be presumptuous to give concrete advice from the outside to a well-aligned and well-established organisation. Rather, the objective of the following considerations is to start a dialogue.
- Every organisation has a potential for improvements and should call itself into question in order to get better and in order to prevent that successful management results in a self-righteous attitude, clouding a critical view into the future.
- SCTM is not in need to get advice from the outside. A self-critical attitude and a constant dialogue with its members and with the outside ensure a successful association policy.

Conclusion

SCTM knows the challenges and is in a position to take the right decisions in due time. SCTM is doing an excellent job.

Recommendation

Continue this successful way – Stay self-critical

³⁷ The following quotations from a representative of a big municipalities illustrates the usefulness of assistance for municipalities: “Valuable technical assistance, always quickly and effectively provided to LSGU by SCTM, is not only free, and as such very attractive in times of austerity, but also instrumental in effectively meeting numerous pioneering administrative challenges related to local governance”. And small municipalities also appreciate SCTMs assistance: “It is good and well that important laws have been passed, but now we need help with implementation; this, too, is important”

³⁸ or even the only way to get assistance as we have been told.

5.7.2. Decentralisation strategy

- As mentioned above the main contents of SCTMs decentralisation strategy result out of the document “Basic Policy Platform”³⁹. The Basic Policy Platform is a very important first step in developing a consolidated strategy for decentralisation.
- As far as we are in a position to assess the contents it seems to us that many of the positions remain rather abstract, that the paper contains an accumulation of changes that are needed but that no prioritisation is made and that no clear distinction is made between positions addressed towards the Central State and issues that should be resolved at the local level.⁴⁰
- SCTM did not develop white papers for each sector. Since the positions found in the Basic Policy Platform are rather abstract and virtually no prioritisation is made there will be a need for further concretization and prioritisation of issues per sector in order for SCTM to be in a position to focus, with its limited resources, on the core topics that are of urgent relevance for a well-functioning system at the local level. This work still remains to be done.
- It would make sense to structure the paper into two parts:
 - General section (focussing on the understanding of the principles which are of utmost importance for a functioning local level such as the principles of subsidiarity, fiscal equivalence, accountability, Rule of Law)
 - Special sections (addressing each sector policy⁴¹, in these sections the general principles mentioned within the general section would need to be applied to the different sectors, e.g.: What changes are needed in the sector of education in order for the principles of subsidiarity, fiscal equivalence and accountability to be respected?). SCTM should refrain from entering politics in the sense of taking positions as to what standards of public services should be guaranteed or how much public money should be invested into what sector policies etc.⁴²

Page | 17

Conclusions

The Basic Policy Platform is a very important first step towards pursuing a consolidated decentralisation strategy. The Basic Policy Platform should be the core guiding document of SCTM for the future.

There seems to be room for improving the contents of the Basic Policy Platform.

Recommendation

The Basic Policy Platform should be further developed in the sense of getting more focused (prioritisation of core issues), getting more concrete and getting more structured.

5.7.3. Differing interests of members of SCTM

- At the moment all municipalities have same obvious problems, the common interest is evident. This could change once the most obvious challenges in the legal and financial framework have been met.
- The future could bring a rather high potential for conflicts of interests between municipalities (different competencies, horizontal fiscal equalization, etc.).

³⁹ The document is in Serbian language, a rough draft translation to the two Swiss members of the evaluation team was provided by the local evaluator. Additionally, parts of the contents of the document were explained on request by SCTM and the local evaluator.

⁴⁰ SCTM seems to be fully aware of this and mentions on p. 4 of the Basic Policy Platform that this is work in progress, that not all topics are covered yet and that the platform needs to be further developed, concretized, etc.

⁴¹ This means that the initially planned sector strategies would be integrated in the (further developed) basic policy platform.

⁴² I.e. SCTM should refrain from entering into the general competition for public funding of certain (politically disputed standards or services). Of course SCTM should intervene where the Central State plans to hand over tasks to municipalities or tries to set standards without providing the resources necessary for financing these tasks or standards (principle of fiscal equivalence).

- It will be the task of SCTM to identify potential conflicts of interests, communicate potential conflicts of interests and to ask the Central state to take binding decisions (as a political referee).
- SCTM seems to be aware of the potential threat and has decided only to speak on behalf of the municipalities when most of municipalities are supporting the position of SCTM. Until now hardly ever such a situation has emerged.
- In order to address different interests of groups of municipalities adequately SCTM is considering to create special fora within the organisation. This might be appropriate but one should bear in mind that it is also somewhat dangerous because a segmented organisation could develop centripetal forces.
- It is a sort of a wonder that there is only one association of municipalities for the whole of Serbia – is it also a big risk? There are at least two divides which could turn out to be harmful: the divide along political parties and the divide along different interests (cities vs. municipalities, rich vs. poor, etc.).
- The Central state could – depending on the constellation – be rather eager to use the different interests of municipalities for dividing them up when important questions are at stake.
- Important controversial debates – e.g. who gets what amount of money – must be accounted for by the elected Government. An association such as SCTM bundling the interests of its members and depending on the support of its members is, on the long run, not in a position to resolve conflicts of interests between its members without running the risk of losing parts of its members (those who lost the internal conflict).⁴³
- SCTM therefore puts itself into danger if it tries to take binding decisions in matters where diverging interests of members prevail.

Conclusion

SCTM is aware of the potential threats and has a strategy to deal with the issue.

Recommendation

Don't pick up too many hot potatoes.

5.7.4. Too many activities?

- SCTMs advocacy-wing is active with a very lot of projects on many fronts.
- Several issues are taken up neither by single municipalities nor by the Central State. SCTM often is filling the gap. An important example: Implementation of new Laws requires unified and coordinated procedures. The Central State – who in principle would be responsible for creating conditions allowing its Laws to be duly implemented – seems to remain passive and SCTM, with its assistance given through the advocacy wing⁴⁴, is filling this gap.
- The expectations from all actors (municipalities, ministries, donors, etc.) are very high.
- There is always a big danger that successful organisations – driven by their „clients“ or partners – are active on too many fronts and lose sight of their core business (here: advocacy).
- A „hunter's strategy“ involving a respective growth of the back-office would not be appropriate.
- SCTM's advocacy-wing today does its job within a lean structure in a very effective manner. Growth could lead to bureaucracy, to higher costs and to a lower cost-benefice ratio. SCTM does not pursue a strategy of growth at the moment.

⁴³ There was a finely performed attempt, one interview testified, by the Central Government to give in on the famous 2010 petition effort for LSGU unconditional transfers to take place, but only if the SCTM decides, within one week, who will get what amount of money. The danger of getting into a harmful conflict of interest situation in such cases is obvious. It is surprising the SCTM managed to deal with this issue without getting into too much troubles.

⁴⁴ See, on this, above ch. 5.6.4.

- It is of great importance that all activities are carried out as a conscious act within a clear overall strategy.

Conclusion

SCTM is active on (too?) many fronts. The one who can and does do everything loses sight of his core business.

Page | 19

Recommendation

Don't lose sight of the core business (advocacy), carry out all activities only within the framework of an overall strategy.

5.7.5 Holistic governance approach

- The transfer of tasks and finances to local level leads to increased responsibility (in the ideal case towards the local constituency, for legality towards the Central State).
- This welcome development can be justified on political grounds only if it is ensured that democracy and the rule of law are functional at the local level.⁴⁵ The following mechanisms should be in place:
 - Central state oversight (restricted to control of legality)
 - Information flows (controlling cycle)
 - Access to legal protection through courts (for citizens in municipalities but also for municipalities if the Central State does not respect laws)
 - Political accountability of municipalities to their citizenry (involving issues such as the election system, the legitimacy of decisions of the executive, oversight through the municipal assembly and, potentially, instruments of direct democracy)
- SCTM must indeed claim for these mechanisms to be established and improved within the legal framework and within the implementation processes.
- Quite naturally the members of SCTM will at the foremost be interested in getting more tasks and more resources in order to be able to operate to most efficient way (efficiency). It is not evident that they will at the same time push towards more legitimacy, because there is always a complex tension between efficiency and legitimacy.
- It is impressive to see that some of the positions formulated in the Basic Policy Platform address in fact issues of political accountability at the local level (changes in the Law on Local Elections, changes in the Law on Referendum and Initiative, etc.).⁴⁶

Conclusion

It is important that SCTM not only advocates for more tasks and finances for the municipalities but also recognises vis-à-vis the Central State that municipalities have to do their homework in ensuring good governance at the local level.

Recommendation

Approach the decentralisation process as a unit of tasks, finances and good local governance.

5.7.6 Capacity building

SCTM is active in different kinds of capacity building, we will mention here education of municipal staff and knowhow exchange.

⁴⁵ Otherwise the assumption mentioned earlier that a better position of the municipalities in the State will lead to a better life of the citizens is not fulfilled.

⁴⁶ These are a consequence of the relatively poor state of local democracy. There is much to be done towards normative increase of political accountability at the local level by, e.g. changing the Law on Local Elections so that Mayors are again elected by a direct ballot. Also under the scrutiny is the current proportional system that should be changed into a combined one so for the increased legitimacy of the council members to be increased. The current draft laws encompass some but improvements but will not be promulgated in time for the announced next LSG elections scheduled on 13 March 2012 for 6 May 2012.

Training

- Training of municipal staff might be organised by the Central State or the municipalities (i.e. SCTM). It is important, however, to coordinate all respective activities.
- When training is organised by the Central State there is a danger of a bureaucratic approach being implemented at the local level. It would be important that SCTM could cooperate in and co-steer training activities organised by the Central State in order to make sure that the contents of the training are in line with SCTM's strategy.
- Ownership of training at local level is of great importance, therefore SCTM should be engaged in training at the local level.

Knowhow exchange

- SCTM does have a knowhow exchange platform which enables municipalities to adopt innovative solutions that have been developed by another municipality.
- There are two possibilities for organising such a platform: Either all examples fed in by a municipality are made available to everybody without any comment or assessment by SCTM (examples how others are dealing with a challenge), or SCTM assesses the examples fed in by municipalities and proposes, on its platform, only those solutions that it deems to be of good quality.
- With the first possibility there is a danger that inappropriate solutions are being made available and that, even if no assessment is undertaken by SCTM, these solutions are seen as „labelled by SCTM“.
- With the second possibility there is a danger that those solutions that are not accepted by SCTM cause negative reactions of the respective members of SCTM.

Conclusion

Training of municipal staff is extremely important and respective activities should be maintained and strengthened.
Knowledge exchange shall be promoted.

Recommendation

Training efforts of the Central State as well as own (i.e. SCTM-) efforts shall be promoted, both offers are to be coordinated. SCTM should try to influence Central State's training efforts.
As for the knowledge exchange SCTM should make clear whether the available solutions have been assessed by SCTM (SCTM-Label) or whether these are just examples of "how others are dealing with a challenge".

5.7.7. Influence of politics

- Every association that is defending municipal interests vis-à-vis the Central State is subject to political influence. In transition countries the influence of political parties on the policy of the association may be considerable.
- SCTM will be no exception to this, but it has competent and politically neutral staff. This technocratic approach, oriented towards principles of good governance rather than on political issues ensure a certain degree of political independence and with this of neutrality.
- The most important political parties are „on board“ and we assume that the common denominator (municipal interest) will be stronger than specific party interests.
- For the moment, the party-political constellation is to be seen as a strength, influence of SCTM is – also due to the broad political base of SCTM in the coalition parties – very high but shouldn't be overstrained.
- If changes in the political context occur (upcoming elections) it is difficult to foresee what will happen. SCTM should be prepared to quickly react to such changes.
- A permanent support of the association's policy by its members and a well-balanced composition of the bodies of the association are the best means to ensure that the asso-

ciation will be able to stand up for the municipal interests even in a different political landscape.

Conclusion

At the moment the political context is quite stable. It can be assumed that SCTM would be ready to face a period of political instability. It can't be excluded that in case of rivalries between the competing party blocs SCTM could become a political football of the parties (see the case of Albania).

Page | 21

Recommendation

Closely follow the developments and keep on appropriate distance of party politics.

5.7.8. Organisation / Resources

- The advocacy-wing encompasses 11 employees, out of which 5 are financed through the SDC-support. One additional employee in the finance sector is also financed through SDC-support.
- The advocacy-wing has a budget of appr. 43.2 million RSD for 2010 and 50 million RSD for 2011
- Compared to national associations in Switzerland the SCTM advocacy-wing is not over-instrumented.
- The departments of the advocacy-wing are divided according to topics. The organisation seems to be rather complicated on first sight, a sound analysis would however be necessary for being in a position to conclude whether this organisation is appropriate.
- The presidency and the committees are in principle well structured.
- The number of committees and their thematic structure is not completely comprehensible. It seems that some of the committees represent municipal competencies and others developed with time due to specific circumstances. SCTM is already in the process of revising its organisation. Such a revision seems appropriate.
- It is questionable whether the structures are flexible enough for taking quick decisions as it is sometime necessary in the political every-day business. The presidency with its 23 members is a rather large body and in practice quick decisions are often taken informally, within the framework of the strategic documents. It could make sense to introduce a small committee (e.g. composed of the president, the deputy-president and the secretary general) and to grant this body some competencies, allowing quick and formally correct decision-making in the every-day business.
- The delimitation of competencies between the bodies of SCTM and between the steering committees of specific projects is not always evident, a clarification might be useful.

Conclusion

The organisation of SCTM is adequate when bearing in mind the complexity of the context and the diversity of the members. The number and the competencies of the committees are not completely comprehensible. Quick decision-making is in practice often done in informal settings.

Recommendation

In order to be ready for the political every-day hectic SCTM should discuss whether an additional body with formal competencies (e.g. composed of the president, his deputy and the secretary general) would be appropriate. In addition the number and the competencies of the committees should be reconsidered.

5.7.9. State Financing

- Municipalities should get tasks and finances from Central State but should not accept any other offers of „resources“ (e.g. human resources, etc.).
- Municipalities should strive for getting rather abstract mandates for fulfilling public tasks, combined with unconditional grants.
- Even if SCTM is fulfilling more and more tasks that would, in principle, be the tasks of the Central State (expertise, model acts, capacity building, advice to municipalities, etc.) it would be wrong to ask for or to accept any reimbursement from the Central State.
- The Central State shall not finance SCTM.

Page | 22

Conclusion

Independence from the Central State must be maintained at any price.

Recommendation

Continue to fight for a maximum of unconditional grants for the municipalities.
Signal a clear commitment against obtaining reimbursements from the Central State.

5.7.10 Shaping of opinion in the municipalities

- SCTM's policy is very well rooted in the municipalities.
- In important issues municipalities are being documented, sometimes even directly by the Central State. SCTM collects, analyses and evaluates the comments and feedbacks from the municipalities and tries to achieve a common position. As a rule the municipalities are not confronted with the concrete position of SCTM with regard to a specific draft but are asked to feed in their opinion on a draft.
- We assume that in the every-day business it is not always easy to find a condensate of strategic issues because municipalities are open to give their opinion on every single aspect they might think is important, their feedback in other words is not „guided“.
- SCTM should reflect whether in such consultation processes it would not be more efficient to first define a preliminary position of SCTM (e.g. five main messages), to send the drafts/documents together with the preliminary position of SCTM to the municipalities, to ask them whether they agree with the position of SCTM (*not* to ask them about their opinion on the draft in general; of course municipalities are free to feed in, besides their answers to the strategic questions raised by SCTM, other aspects). This kind of consultation process would allow SCTM to verify within a short period and without investing a lot of resources whether its strategic orientation is in line with the general position of the municipalities. In the following political process SCTM can rely on the argument that the municipalities are backing its position.
- It is important that SCTM appears in all these processes as a proactive think tank and not as an organisation reactively bundling the interests of its members.

Conclusion

Inclusion of municipalities in the law-making processes is in principle a good thing.

Recommendation

SCTM should act as an opinion-leader and develop as well as communicate its position from the very beginning.
Municipalities shall be included in the process and shall give a feedback on whether the – preliminary – position of SCTM is in line with their convictions or whether SCTM should determine different points of emphasis.

5.7.11 *Proposals in the parliamentary law-making procedure*

- Most issues are discussed and dealt directly with the Government (ministries).
- Only exceptionally SCTM has to bring different positions into the Parliamentary procedure by motivating SCTM-friendly Parliamentarians to submit a proposal.
- As SCTM disposes of high political and technical capacities such proposals are of good quality.
- It is important that the proposals be accompanied by a set of arguments/FAQ in order to make it possible to broadly spread these documents (initially prepared for the parliamentary procedure) also in the media and the public.
- Good arguments also need to be well communicated.

Page | 23

Conclusion

SCTM effectively influences the parliamentary decision-making procedure where needed. The proposals seem to be of good quality.

Recommendation

All proposals need to be accompanied by a set of arguments and FAQs in order to allow for a broad discussion of SCTMs position.

5.7.12 *Wage policy*

- Since SCTM operates in a donor-environment, the wages of SCTM-staff are higher than those of municipal staff.
- The municipality cadres are often included in opinion-shaping processes because of their expertise.
- The differences in wages may lead to animosities because it is difficult for the municipal cadres to understand why SCTM-staff earns quite a lot more than they do.
- The fact that SCTM-staff earns more than municipal cadres might also lead to a situation where good municipal cadres leave their municipality in order to work for SCTM. Municipalities as members and co-financers of SCTM might be not so pleased about this situation.

Conclusion

The wages of municipal staff and SCTM-staff are differing, fact which may lead to negative reactions on the side of the municipalities. These differences in wages are inevitable.

Recommendation

Expose the problem and ask for understanding from the municipalities.

5.8. SUSTAINABILITY

- Many donors are willing to support SCTM, fact which is opening a potential to grow and provide more and more services to their members. At the same time the organisation needs to be as lean as possible and very focused on its core functions.
- In this respect the expectations of the members should be re-aligned.
- SCTM is aware that it should develop, on the long run, into an organisation mainly financed by membership fees. The membership-fee was doubled recently.
- Municipalities are aware of the crucial importance of having SCTM, it is not to be expected that SCTM will disappear once donor support evades.⁴⁷

⁴⁷ Some municipalities even stated during the interviews that they pay less than they get and others said they would be ready to pay more. One interlocutor from a big municipality formulated it this way: "Although even our membership contribution to SCTM

- SCTM has a two-fold strategy for sustainability:
 - The membership-fees are tied to the budget – when municipalities will be in a better position financial-wise (which SCTM is actually successfully striving for) the resources of SCTM will automatically also rise.
 - Services offered by the service-wing are presently financed by donors. SCTM does not see a possibility to charge for these services for as long as donors offer similar (direct) support for free. As soon as donors will leave the country SCTM will be ready to give expert advice which they will then be able to charge for. SDC-support actually helps them in building up expertise they will be able to sell at a later stage.
- The main challenge for sustainability in our view is not a financial one – it is rather the political context that might be decisive for success or failure of SCTM.

Conclusion

SCTM must ensure to be in a position to adapt its strategy in case the political context changes or the financing by donors declines. The structures of SCTM and the persons that are responsible for strategy-building are ready to meet these challenges. We are convinced that SCTM will be able to work successfully also with a reduced budget (with reduced services).

The main threat for sustainability are not finances but rather the political context.

Recommendation

Keep a lean structure for the advocacy-wing.

Continuously verify if the activities are appropriate. Curb down activities if possible.

Continuously be ready to fulfil the core business with reduced resources.