

Decentralisation and local development in Western Balkans: convergences and divergences among different contexts

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TABLE OF CONTENTS

OVERVIEW.....	3
ALBANIA: REGION OF SHKODRA.....	29
BOSNIA & HERZEGOVINA: MUNICIPALITY OF TRAVNIK.....	49
BOSNIA & HERZEGOVINA: MUNICIPALITY OF TREBINJE.....	63
CROATIA: REGION OF ISTRIA.....	83
KOSOVO: MUNICIPALITY OF PEJË/PEĆ.....	99
MONTENEGRO: MUNICIPALITY OF BUDVA.....	109
SERBIA: AUTONOMOUS PROVINCE OF VOJVODINA.....	121

OVERVIEW

Executive summary

This general introduction to the second SeeNet report, focussed on decentralisation, includes four sections. The first section is dedicated to the “state of the art” in the European Union’s support towards decentralisation in the Countries included in the research activity: Albania, Bosnia & Herzegovina, Croatia, Kosovo, Montenegro and Serbia. Decentralisation is a key topic in the Western Balkan Countries in light of the enlargement perspective and the multilevel institutional architecture adopted in many European Countries for the management of structural funds. The decentralization process in Albania, despite delays, has been consensual and steady since 1998. Nowadays, the overall regulatory framework is almost complete while the real transfer of function is still to be consolidated. Croatia, that might join the EU as the 28th Member State in 2013, is forced to put a strong commitment towards the decentralisation process, particularly with the aim of preparing local government units to manage the funds that will be available within the Community Cohesion Policy after enlargement. The issue of decentralization is also particularly relevant in the EU strategy towards Kosovo, following the provisions of the Athissari Proposal. In Montenegro the decentralisation process is considered to be at an early stage; a key challenge for the future is the establishment of transparent and fully accountable administrations at the local level. In Serbia, implementation of the constitutional provision relating to decentralisation and ensuring the resources for local governments are foreseen in the medium term priorities; it is worth mentioning that the peculiarity of the Kosovo status is an issue in EU-Serbia relations. In the general support paid by the European Union towards decentralisation and the strengthening of local governance, a partial exception is represented in the case of Bosnia and Herzegovina. The fragility of the current institutional arrangement, as it emerged from the Dayton Agreement in 1995, and the persistence of ethnic issues in the Country makes it urgent for the European Union to concentrate its efforts towards the strengthening of the government (at central and entity level) and its general efficiency.

The second section is focussed on the role of local and regional authorities in the framework of IPA cross border cooperation activities and the Ionian-Adriatic macroregional perspectives. The aim is to complete a general view on the ongoing decentralisation processes following the first section: not only central governments but also local authorities and local stakeholders from Balkan countries are involved in what can be defined as efforts towards decentralisation as they collaborate in several programmes and projects, that aim at strengthening their role and capacities in the institutional architecture of the countries. In this framework IPA CBC play a very important role: strengthening the cooperation at local and regional levels is a key objective in all CBC programmes developed in the Adriatic area. IPA CBC programmes are not the only active networks across the Adriatic Sea. On the contrary, the Adriatic Basin shows numerous and strong networks at local and non-governmental levels, alongside the equally relevant relations among the governments of the area that have been developed in recent years through the framework of the EU enlargement process and of the Adriatic-Ionian Initiative. This framing draws a multi-level and multi-actor region that may find, in the near future, a new strategic framework in the creation of an Adriatic and Ionian Macroregion. The common Declaration for the creation of the macro-region was signed in the city of Ancona on May 5th, 2010. A new political declaration has resulted from the 2011 meeting of the Ionian Adriatic Initiative, held in Brussels on May 23rd. Overall, the multilevel governance structure that is proposed within the Macro-region will potentially enhance the role of local and regional authorities in the management of the Adriatic territory. Moreover, the structured involvement of different institutional levels will guarantee a better ownership of development strategies increasing their efficiency and a better application of the subsidiarity principle may follow.

The third section summarizes the main findings that emerge from the case studies, on three different topics: the institutional and political framework for decentralisation; power and resources of local self-governments units; multi-level dynamics. In fact, the seven territories have been analysed according to a common research methodology, aiming at providing an exhaustive picture of the ongoing decentralisation process and of the competencies of local and regional governments in each country with a special focus on the key themes of SeeNet intervention. The presentation of the main findings of the research reports has the aim of offering a general overview of the situation in the Balkan countries and specifically in the SeeNet territories with regards to decentralisation. Convergences and divergences between the different contexts have been identified. The analysis should help in designing possible network and cooperation activities that could be supported by the IPA CBC component and in the foreseen macro-regional strategy.

Finally the report includes some general conclusions. Although the decentralisation process is generally perceived as favourable and positive for its links with democratization and efficiency of the State, numerous scholars have reflected on the risks of the decentralisation process in post-ethnic conflict situations. These kinds of risks are clearly perceived in the public opinion in countries like Bosnia and Herzegovina, Serbia and Kosovo. The path towards European integration and the growing cooperation between European and Balkan local and regional authorities require a stronger capacity in the local and regional governments; but it is important that European partners at all levels reflect upon the implications of this approach in each different context, and are well-aware of the sensitivity of this topic in the South-Eastern Europe Countries. It is important for European counterparts to avoid the risk of strengthening ethnic divisions while sustaining the decentralisation process. Overall, SeeNet offers, at present, and might offer, in the future, an exceptional platform for cooperation at local and regional levels between Italy and the Countries of the Western Balkans, to improve decentralisation and foster local development. Italian Regions, Autonomous Provinces and Local authorities could offer a key contribution towards a peaceful development of partner countries in the path towards European integration, avoiding the creation of new tensions and divisions and fostering a balanced development of the Adriatic area, eventually in the future framework for the Ionian-Adriatic Macroregion.

FOREWORD

This report is the second of a series realised within the SeeNet Programme by a research network coordinated by CeSPI and composed of seven research organisations from South East Europe.

Research activities aim at supporting the SeeNet programme through the analysis and systematization of local development governance experiences for the territories of South East Europe involved. The unit of analysis for the research is the territory. Seven territories in South East Europe have been chosen according to the following criteria: i) articulation of partnership relations; ii) coverage of the four themes of the SeeNet Programme; iii) representation of partner local authorities of South East Europe; iv) coverage of different administrative levels of South East Europe; and v) different Italian partners.

Each territory is involved in one SeeNet project, led by local partners and supported by an Italian region or autonomous province on one specific theme. Each of the seven partner research organizations has been entrusted with the analysis of one territory and relative theme.

Table 1: Case studies

	Territory	Theme
Albania	Region of Shkodra	Social planning
Bosnia & Herzegovina	Municipality of Travnik	Mountain tourism
Bosnia & Herzegovina	Municipality of Trebinje	Rural tourism
Croatia	Region of Istria	Cultural and environmental heritage
Kosovo	Municipality of Pejë/Peć	Environmental tourism
Montenegro	Municipality of Budva	Territorial and environmental planning
Serbia	Autonomous Province of Vojvodina	Local productive systems

This report is focussed on decentralisation. This issue is particularly relevant in Western Balkan countries, not only for the general links recognized by the international community between decentralisation and democratization, but also for the accession perspectives that imply on one side the sharing of the same principles (as expressed in the European Charter for Local Self Governments), and on the other the adoption of a “European model” with regards to local and regional management of European Regional Development Funds.

The analysis has been conducted with a multi-level perspective, taking into consideration the following levels: local, other eventual sub-national, national, European, and other international levels. It also adopts a multi-stakeholder perspective. Among the key local development stakeholders analysed are: i) representatives from local institutions; ii) representatives from the central government; iii) public administration, public and public controlled local bodies; iv) actors of territorial/decentralized and international cooperation; v) civil society; vi) education, culture and research bodies; vii) economic actors; viii) trade unions; and ix) the media.

This general introduction includes four sections: the first is dedicated to the “state of the art” in the European Union’s support towards decentralisation in the Countries included in the research activity¹; the second is focussed on the role of local and regional authorities in the framework of IPA cross border cooperation activities and the Ionian-Adriatic macroregional perspectives, analysed as ways to enhance decentralisation process; the third summarizes the main findings that emerge from the case studies; finally the report includes some general conclusions. The territorial case studies follow a common structure: i) Decentralisation: the legal/institutional and political

¹ FYROM is excluded from this analysis.

framework; ii) Powers and resources of local self-government units; iii) Multilevel dynamics; iii) Conclusions.

1. THE EU SUPPORT TOWARDS DECENTRALISATION

Decentralisation is a key topic in the Western Balkan Countries in light of the enlargement perspective and the multilevel institutional architecture adopted in many European Countries for the management of structural funds. According to the Enlargement Strategy for 2010-2011² “the Western Balkans have moved closer to the EU over the past year, as the region made progress, albeit unevenly, in reforms and in meeting established criteria and conditions” (p. 14). This progress has also been achieved in the fields of decentralisation and enhancement of local governments.

In the general support paid by the European Union towards decentralisation and the strengthening of local governance, a partial exception is represented in the case of Bosnia and Herzegovina. The fragility of the current institutional arrangement, as it emerged from the Dayton Agreement in 1995, and the persistence of ethnic issues in the countries makes it urgent for the European Union to concentrate its efforts towards the strengthening of the government (at central and entity level) and its general efficiency.

Also, the peculiarity of the Kosovo status is an issue in both EU-Kosovo and EU-Serbia relations. Only 22 of the 27 European Member States have recognized Kosovo as an independent State³. In a recent speech in Belgrade (May 26th, 2011) Catherine Ashton, the EU’s high representative for foreign affairs and security policy said that talks between Serbia and Kosovo are “fundamental for removing obstacles on the road towards the EU”. The European Union is posing progress on a dialogue between Kosovo and Serbia as a pre-condition for Serbia to access EU candidate status but so far the agreement between the two countries seems far from reached. In March 2011, Serbia and Kosovo launched a series of talks under the EU auspices trying to resolve non-political issues such as customs procedures, communications and land registries, education, telecommunication, birth certificates and others.

The priorities for EU intervention in each enlargement country are defined within the European Partnerships (with potential candidates) and Accession Partnership (with candidate countries) and result from the analysis of each of the partners’ differing situations. The priorities define the elements from which preparations for further integration into the European Union must be concentrated in light of the criteria defined by the European Council. The partnerships are regularly revised on the basis of the progress made by each country and any new priorities identified. The current European Partnership were adopted on February 18th, 2008 by the European Council; the Accession partnership with Croatia and FYROM were adopted in different moments, while the Accession Partnership with Montenegro has not been signed up to date (May 2011)⁴. Moreover, each autumn the European Commission publishes an enlargement strategy and progress reports for each country. These documents provide an updated picture of the efforts and results achieved by Western Balkan Countries towards integration.

Actions funded through the IPA are in-line with the priorities set out in the aforementioned documents. The IPA strategy is based on *ad hoc* documents: the main interventions are in fact

² Com (2010)660, Communication from the Commission to the European Parliament and the Council, Enlargement Strategy and Main Challenges 2010-2011

³ Currently, Kosovo has not been recognized by Spain, Greece, Romania, Cyprus and Slovakia.

⁴ The European Council confirmed Montenegro as a candidate Country on December 17th, 2010.

planned for each country within the framework of the Multi-annual Indicative Planning Document (MIPD). The current MIPD covers the 2009-2011 period.

A look at all these documents (partnership documents, ultimate progress reports and the current MIPD) for each country offers a general glance on the state of the art in the decentralisation process in the Western Balkans and on the EU's strategies in the field.

Albania

Traditionally, Albania was a very centralized country. Only beginning in 1991 has a first wave of decentralisation been pursued by the government; the adoption of the European Charter of Local Self-Government in 1998 has sustained the efforts in this direction. Since then, the decentralization process in Albania, despite delays, has been consensual and steady. Nowadays, the overall regulatory framework is almost complete while the real transfer of function is still to be consolidated.

The European Partnership with Albania does not include any specific reference to the decentralisation process. Nevertheless, priorities include the enhancement of local governments in specific issues such as Public Procurement and Environment⁵. The IPA Multi-Annual Indicative Planning Document 2009-2011⁶ includes the "strengthening of the capacities of local governments" among its objectives in the field of Public Administration.

As regards the progress achieved up to date, the report of November 2010⁷ highlights the need for further efforts in the field of decentralisation. In fact "despite much debate regarding the decentralisation process, few of the measures planned in the local government and decentralisation strategy 2007-2010⁸ were implemented". The transfer of some competencies was made at short notice and often without adequate preparation. The Law on territorial planning and amendments raised issues regarding potential conflicts with the existing regional and local structures" (p. 14). The report also stresses the fact that "the deterioration of the political atmosphere" (p. 14) and "the lack of constructive political dialogue at central level" (p. 15) has affected relations between central and local government and "the activities of the association of local government representatives" (p. 14). For the future, Albania is still identified as a country "in the process of decentralisation" (p. 90). The document recognizes that "a classification of statistical regions equivalent to the NUTS classification has still not been developed" (p. 42) and it is not a current priority, although it will be in the next future.

Bosnia and Herzegovina

The situation in Bosnia and Herzegovina is very peculiar as regards governance issues: alongside decentralisation efforts towards local government units, a centralization process from the entities to the central State is ongoing. But, according to the UN's High representative for Bosnia and

⁵ 2008/210/EC: Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with Albania and repealing Decision 2006/54/EC. Official Journal L 080, 19/03/2008, p. 0001-0017.

⁶ http://ec.europa.eu/enlargement/pdf/mipd_albania_2009_2011_en.pdf.

⁷ SEC (2010) 1335, Commission Staff Working Document. Analytical Report accompanying the Communication from the Commission to the European Parliament and the Council, Commission Opinion on Albania's Application for membership of the European Union, COM (2010) 680.

⁸ The Albanian strategy on decentralisation aims at improving governance, making institutions more effective, participative, democratic, and transparent governance. With the objective of integrating into EU, the strategy is based on the principle of subsidiarity. It plans to: re-think territorial division, election mode, financing and competences at local level, still focusing on regional planning and coordination; develop an integrated financial framework for LG; develop a legal framework for shared functions with line ministries; develop and implement standards for local services; develop technical guidance and build local capacity. (Source: *Supporting regional development in Northern Albania. Feasibility study for a joint programme, commissioned by Swiss Cooperation and Austrian Development Cooperation*, 23.02.2009).

Herzegovina and EU Special Representative for Bosnia and Herzegovina Valentin Inzko, Bosnia and Herzegovina is currently “finding itself on the brink of collapse”. The fragile political and economic situation that characterizes the country is also challenged by the fact that “European Union and the Euro-Atlantic integration processes have come to a complete halt”.

Furthermore, according to Inzko, Republika Srpska has threatened Bosnia’s integrity, proposing the referendum “on the competencies of the judicial institutions and certain powers bestowed upon the high representative (namely, powers that give him sole discretion to annul or impose decisions within Bosnia and to suspend elected officials)”⁹. Republika Srpska (RS) has given up the plan for a referendum after the intervention of the EU High Representative for Foreign and Security Policy, Catherine Ashton, who arrived unexpectedly in Banja Luka to discuss the situation with the RS President Milorad Dodik on May 13th, 2011¹⁰. Still, the events of this period confirm the fragility of the political situation in the country.

On the other hand, the EU has confirmed its interest in intensifying its efforts “to facilitate the accession of Bosnia and Herzegovina into European Structures (...) through a comprehensive approach and significant financial assistance and expertise”¹¹. In her visit paid to Bosnia and Herzegovina, Mrs. Ashton declared: “The European Union is reaffirming its clear commitment to the European perspective of Bosnia and Herzegovina. We want to see Bosnia and Herzegovina progress on this path, with the governments formed at all levels and with functioning institutions, in particular on the state level. We want to see the outstanding issues addressed and we want to see all the necessary reforms set in motion. We stand ready to help Bosnia and Herzegovina move forward”¹². Moreover, in a recent declaration of the Council of European Union (March 2011) the Council “reiterates its unequivocal commitment to Bosnia and Herzegovina’s EU perspective” and emphasises as a matter of priority that “the country needs to bring the Constitution into compliance with the European Convention on Human rights”. The Council also “remains determined to support the Dayton Peace Agreement”¹³. Overall, the political commitment of EU in the country is aimed at granting the stability and efficiency of the current institutional arrangement, and the EU accession perspective is used as an incentive for the country’s efforts.

The European Commission documents contain indications of priorities of intervention for Bosnia and Herzegovina. The key priorities in Bosnia and Herzegovina in the field of Public Administration, both in the association agreement and in the MIPD 2009-2011¹⁴, are in fact related to the general efficiency of the system. The issue of coordination between the State and the entities is particularly relevant, as the association agreement includes priorities to “eliminate overlapping regulations imposed by different levels of government” in the economic field and “ensure structured and institutionalised State/Entity coordination”¹⁵.

In line with the priorities of intervention in the country, the progress report 2010¹⁶ also stresses the relevance of the functionality and efficiency of the State and the Entities:

⁹ Source: http://www.bh-news.com/en/vijest_det.php?vid=3551&r=1.

¹⁰ Source: <http://www.euinside.eu/en/news/republika-srpska-renounce-the-controversial-referendum-after-the-eu-intervention>.

¹¹ Source: www.rferl.org, 10.05.2011.

¹² http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/121971.pdf.

¹³ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/120066.pdf.

¹⁴ http://ec.europa.eu/enlargement/pdf/mipd_bosnia_herzegovina_2009_2011_en.pdf.

¹⁵ 2008/211/EC: Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with Bosnia and Herzegovina and repealing Decision 2006/55/EC. Official Journal L 080, 19/93/2008, p. 0018-0031.

¹⁶ SEC (2010) 1331, *Commission Staff Working Document, Bosnia and Herzegovina 2010 Progress Report, accompanying the Communication from the Commission to the European Parliament and the Council, Enlargement Strategy and Main Challenges 2010-2011*.

“Both Entities have legislation that is largely in line with the European Charter for Local Self-Government. Some Cantons in the Federation have started to adopt local self-government legislation (...). Overall, only limited progress has been made by Bosnia and Herzegovina on improving the functionality and efficiency of the State-level government structures. Tensions between Entities, inadequate resources and a lack of political dialogue delayed reform. The duplication of competencies added to administrative costs. The efficiency of the State-level government was hampered by fragmented policy-making between the State and the Entities”. (p. 11)¹⁷

Overall, the report recognizes that “little progress was made in the area of public administration reform” and that “the country’s administrative structures are still not capable of responding effectively to the requirements of EU integration. They remain cumbersome, fragmented and with an unclear division of powers across the various levels of government” (p. 11). Significant efforts are further needed in the future towards an efficient, accountable and transparent government at all levels.

Croatia

Croatia, as a candidate country, is forced to put a strong commitment towards the decentralisation process, particularly with the aim of preparing local government units to manage the funds that will be available within the Community Cohesion Policy after enlargement.

On February 12th, 2008, the European Council adopted a new Accession Partnership for Croatia. The priorities of the EU strategy in the country include the enhancement of government capacity at different levels, in view of the future accession. As regards the decentralisation process and enhancement of local governments, priorities included are to “adopt and begin implementing an action plan in order to meet regulatory and operational requirements deriving from the Community cohesion policy, including strengthening capacity at central, regional and local level”; and to ensure a clear distribution of responsibilities and strengthen the capacity of, and coordination between, designated implementing structures, including local authorities.¹⁸ Support for the decentralisation process is also foreseen in the framework of the IPA Multi-annual Indicative Planning Document for Croatia 2009-2011¹⁹ and in the general “Enlargement Strategy and Main Challenges 2010-2011” document, where the need “to continue strengthening administrative capacity, especially at local level” (p. 35) in the country is stressed.

The latest annual progress report²⁰, adopted on November 9th, 2010, is quite critical of the issue of decentralization. According to the report, considerable further efforts are needed to reach a satisfactory decentralisation level: “the capacity of public administration at central, regional and local levels to manage decentralisation reforms has still to be significantly strengthened. A decentralisation strategy remains to be developed” (p. 7). Also “progress in the field of administrative and fiscal decentralisation of social services remains limited” (p. 43). Administrative capacity, especially at the local level, needs further strengthening. Overall, “limited progress can be reported on the public administration reform. In order to achieve tangible results, stronger political commitment and closer coordination between the key stakeholders at central, regional and local levels are required” (p. 8).

¹⁷ For a map of the ethnic composition of Bosnia and Herzegovina after the war, please see [http://commons.wikimedia.org/wiki/File:Ethnic_Composition_of_BiH_in_2005_\(without_legend\).png](http://commons.wikimedia.org/wiki/File:Ethnic_Composition_of_BiH_in_2005_(without_legend).png).

¹⁸ 2008/119/EC: Council Decision of 12 February 2008 on the principles, priorities and conditions contained in the Accession Partnership with Croatia and repealing Decision 2006/145/EC. Official Journal L 042 , 16/02/2008 P. 0051 – 0062.

¹⁹ http://ec.europa.eu/enlargement/pdf/mipd_croatia_2009_2011_en.pdf.

²⁰ SEC 2010/1326, Commission Staff Working Document, Croatia 2010 Progress Report, accompanying the Communication from the Commission to the European Parliament and the Council Enlargement Strategy and Main Challenges 2010-2011, COM 2010/660.

Notwithstanding, the enlargement perspectives seem to be very close for Croatia: on June the 10th, 2011 the President of the European Commission Mr. Barroso declared that “The European Commission has just proposed to the EU Council of Ministers to close the last four chapters in the accession negotiations with Croatia. This paves the way for Croatia to join the EU as the 28th Member State as of 1 July 2013, if this indicative date proposed by the Commission were to be retained by the Council”²¹.

Kosovo

The issue of decentralization is also particularly relevant in the EU strategy towards Kosovo, following the provisions of the Athissari Proposal²². That is evident both in the general Enlargement strategy document and in the European partnership document²³. Moreover, in recent conclusion on enlargement/stabilization and association process the Council of the European Union “notes that the decentralisation process in Kosovo has advanced significantly” and “stresses that major challenges remain. These include rule of law, public administration reform, the fight against organised crime, corruption, money laundering, migration, asylum, ensuring freedom of expression, the protection and integration of Serbs and other minorities as well as enhancing dialogue and reconciliation between the communities”. Also, the Council “reiterates the readiness of the EU to facilitate a process of dialogue between Pristina and Belgrade” and recognizes that “process of dialogue in itself would be a factor for peace, security and stability in the region”.²⁴

According to the European partnership document, the European Commission’s strategy towards the country includes, in the short term, priorities:

- to advance the reform of self-government and increase administrative capacity to facilitate decentralisation, taking into account the views and interest of all communities in Kosovo;
- to adopt the legislative framework and allocate appropriate budgetary resources;
- to advance the decentralisation process and adopt, *inter alia*, the laws on local government and municipal boundaries.

The strengthening of local governments is a clear priority of the partnership. The document includes some general aims, such as to “improve the capacity of local administrations to provide services to their constituencies in an equitable and effective manner” and to “reinforce capacity for government coordination and define more precisely the responsibilities of the central and local authorities for ensuring consistency of policy implementation”. Also, the document focuses on the role of local government in specific issues such as Communities and Returns, Agriculture and the fight against organized crime. In all these matters, not only is the strengthening of the local authorities required but also a clear division of responsibilities between government at central and local levels.

The relevance of the decentralisation issue is confirmed in the framework of the MIPD 2009-2011²⁵: an “important challenge for the Kosovo institutions will be to effectively implement and enforce a coherent and inter-connected body of EU compatible legislation (...). The issue of decentralisation and strengthening local governance will require particular attention as a development aim to enhance the delivery of services to the population at large” (p. 12). The priorities include the following: “Advancing the reform of local self-government as part of the decentralisation process, including the improvement of managerial competencies, service delivery

²¹ Source: <http://eulib.info/statement-president-barroso-croatia-commission-proposes-14844>.

²² For further information, please refer to the report for Kosovo (Municipality of *Pejë/Peć*) by Adrian Zeqiri.

²³ 2008/213/EC: Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with Serbia including Kosovo as defined by United Nations Security Council Resolution 1244 of 10 June 1999 and repealing Decision 2006/56/EC. Official Journal L 080, 19/03/2008, p. 0046-0079.

²⁴ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/118487.pdf.

²⁵ http://ec.europa.eu/enlargement/pdf/mipd_kosovo_2009_2011_en.pdf.

and dialogue with citizens, as well as support to municipal, inter-municipal and cross-border projects and implementation of the poverty reduction measures at local level” (p. 13).

According to the Progress Report, in recent years Kosovo has achieved significant progress as regards decentralisation and there has been progress on local government reform. However, important challenges remain in implementing legislation and improving the quality of municipal services. It is also necessary to overcome contrasting interpretations of legislation on self-government that often blocks cooperation between central and local authorities²⁶.

Montenegro

Montenegro became a candidate country in December 2010. Nevertheless, an Association Agreement has not been signed up to date, thus, the reference document is still the European Partnership adopted by the Council on January 22nd, 2007. In the field of Public Administration, continued implementation of the decentralisation process and upgrading the capacities of municipalities is foreseen.

According to the MIPD 2009-2011 for Montenegro²⁷ “The Constitution provides for the autonomy of local self-government, but municipalities face a general problem of administrative capacity and a lack of substantive powers. Financial issues regarding both the revenue and expenditure of municipalities and municipal property remain unresolved. There is a need to harmonise local self-government legislation with sectoral laws as well as to enhance municipal capacities to attract investment” (p. 13). The document includes the following in its objectives:

- further implementing the Public Administration Reform Strategy, with the objective of building a professional and accountable public administration, politically neutral and geared to a service-based culture;
- assisting a sustainable financing of local authorities;
- clarifying competencies between central and local government;
- implementing the decentralisation process and strengthening local democracy; developing the capacity of the municipalities to perform their tasks and improve their competences.

The document also states that improvements in Public Administration would include “significant progress in sustainable financing of local authorities; strengthened capacity to provide services to citizens and to local communities; clarified competencies between central and local government” (p. 15).

According to the Commission Analytical Report 2010²⁸ local governments remain weak although the Government pays specific attention to the decentralisation process: not only does the Constitution stipulate the right to local self-government for citizens but the government, at the end of 2006, signed a memorandum of cooperation with the Union of Municipalities (that includes all 21 municipalities of the country) to foster the decentralisation process and, in February 2007, established a Committee for Coordination of Local Self-Government Reform²⁹. Overall, the decentralisation process is considered to be at an early stage. In particular “there are serious

²⁶ SEC (2010) 1329, Commission Staff Working Document Kosovo 2010 Progress Report, accompanying the Communication from the Commission to the European Parliament and the Council, Enlargement Strategy and Main Challenges 2010-2011.

²⁷ http://ec.europa.eu/enlargement/pdf/mipd_montenegro_2009_2011_en.pdf.

²⁸ SEC (2010) 1334, Commission Staff Working Document, Analytical Report accompanying the Communication from the Commission to the European Parliament and the Council, Commission Opinion on Montenegro’s application for membership of the European Union Com (2010)670.

²⁹ The Commission is made up of representatives of the Ministry of Finance, Ministry of the Interior and Public Administration, Union of Municipalities and five selected municipalities. This committee facilitates institutional dialogue and cooperation and coordination between central and local governments. Under the umbrella of the Commission, three commissions have been established: for international cooperation, for fiscal decentralisation and for administrative decentralisation.

concerns about the lack of administrative capacity, corruption and inefficiency at municipal level” (p. 14). A key challenge for the future is the establishment of transparent and fully accountable administrations at the local level. A step in this direction might be represented by the adoption of the Law on Territorial Organisation and by the amendments to the Law on Local Finances, which is still pending.

Serbia

Decentralization is a relevant issue in the European Partnership with Serbia³⁰. It is worth mentioning that the Autonomous Province of Vojvodina has a peculiar status with a relevant financial and administrative autonomy. A similar status was accorded to the Autonomous Province of Kosovo and Metohija: according to the Constitution, Kosovo and Metohija is a part of the Republic of Serbia (in the Preamble), yet its autonomous status is going to be regulated by the special Law (Article 182, paragraph 2 of the Serbian Constitution). Kosovo and Metohija is currently under the international administration and has a status that is internationally contested. Due to the events that followed the dissolution of Yugoslavia, and especially the Kosovo declaration of independence, decentralisation and territorial re-organisation of the government architecture became one of the most sensitive topics in the country.

According to the European partnership with Serbia, implementation of the constitutional provision relating to decentralisation and ensuring the resources for local governments are foreseen in the medium term priorities. One of these priorities is to improve the coordination between different level of government, to strengthen the policy-making and coordination capacity of the public administration at government and local levels. According to the document, specific attention is paid to the role of local government in the environmental sector. In this framework, it is foreseen to “Strengthen the administrative capacity of bodies in charge of planning, permits, inspection and monitoring, and also project management, strengthen capacity at local level and ensure coordination between central and local levels” and to “Strengthen further the administrative capacity of environmental institutions at national and local level”.

The Multi-Annual Indicative Planning Document 2009-2011³¹ recognizes that “capacity building at local self-government level needs to be strengthened” (p. 16). In the field of Political Criteria the document includes objectives to:

- progress in the reform of local self-government as part of the decentralisation process
- support to local and regional development policy by strengthening fiscal decentralisation, planning and implementation capacities at central, regional and local level, service delivery, local government asset management.
- strengthen inter-municipal cooperation through the Standing Conference and other municipal associations;
- support municipal, inter- municipal and cross-border municipal projects and implementation of the Poverty Reduction Strategy at the local level

Also, a key point of IPA intervention is related to coordination: “There is a need to reinforce central and local government linkages to better exploit European Commission co-funding and help address territorial inequalities (...); Capacity building at local level in terms of implementation of legislation and project management, as well as technical equipment and networking of authorities in charge for implementation, enforcement and control of legislation is required. ” (p. 12).

³⁰ 2008/213/EC: Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with Serbia including Kosovo as defined by United Nations Security Council Resolution 1244 of 10 June 1999 and repealing Decision 2006/56/EC. Official Journal L 080, 19/03/2008, p. 0046-0079.

³¹ http://ec.europa.eu/enlargement/pdf/mipd_serbia_2009_2011_en.pdf.

According to the latest progress report³², “decentralisation has continued and a number of competencies have been transferred to the local level. However, this was done without ensuring sufficient capacity and resources at local level. There has been insufficient consultation with local authorities in the decision-making process relating to the development of new legislation or amendments to existing laws that have implications at the local level” (p. 8). Thus, further efforts in this field will be needed in the next future.

2. DECENTRALISATION AND MULTILEVEL GOVERNANCE: THE ROLE OF LOCAL AND REGIONAL AUTHORITIES AND THE MACRO-REGIONAL PERSPECTIVE

In the first section, we had a glance at the state of the art decentralisation processes being pursued by Central governments in the Western Balkans with the support of the European Union. To complete a general view on the ongoing decentralisation processes, it is worth mentioning that local authorities and local stakeholders from Balkan countries are also involved in what can be defined as efforts towards decentralisation as they collaborate in several programmes and projects, financed by international donors, that aim at strengthening their role and capacities in the institutional architecture of the countries. This means that not only are central governments interested in the matter but also that activities carried out at local and non-governmental levels may positively influence decentralisation. In fact, cooperation activities carried out at local and non-governmental levels strengthen local authorities, allowing a more efficient process of decentralisation where it is pursued by the central governments.

At present the IPA II component, dedicated to the Cross Border Cooperation (CBC), offers what is likely the main relevant financial opportunity to carry out activities that could enhance relations between people and strengthen capacities and mutual knowledge of the regional and local authorities involved. In fact, EU CBC programmes might contribute to fostering decentralisation and strengthening local governance.

The Cross Border Cooperation component is designed to deliver focused support for cooperation between candidate and/or potential candidate countries, as well as between them, and EU Member States. The general objectives of CBC activities within IPA are the development of cross-border economic, social and environmental activities in border areas; addressing common challenges in the field of environment, public health, prevention, fight against organized crime etc.; ensuring efficient and secure borders; promoting legal and administrative cooperation; promoting local “people-to-people” type actions. An overall objective of Component II programmes is also to build the capacity of local, regional and national institutions to manage EC programmes and to prepare them for the management of future EC Structural Funds under the European Territorial Co-operation objective.

The main limitations in the opportunities offered by IPA CBC can be found in the territorial eligibility, that is very limited (only border municipalities can apply) and also in the mechanisms foreseen for the implementation of the projects. In fact, some of the IPA CBC programmes require pre-financing of activities, which creates a lack of interest among municipalities in applying for funding.

The following table shows the current CBC programmes that involve Western Balkan’s territories³³:

³² SEC(2010)1330, Commission Staff Working Document, Serbia 2010 Progress Report, accompanying the Communication from the Commission to the European Parliament and the Council. Enlargement Strategy 2010-2011, COM(2010)660.

³³ Some Countries from the Western Balkans also participate to the ERDF South East Europe and Mediterranean, under the European Territorial Cooperation Objective of the Structural Funds 2007-2013.

IPA Cross border Cooperation Programmes

Western Balkans – EU	Within the Western Balkans
Albania-Greece	Albania – FYROM
Croatia – Slovenia	Albania-Montenegro
Croatia – Hungary	Bosnia and Herzegovina – Croatia
FYROM – Bulgaria	Bosnia and Herzegovina-Montenegro
FYROM – Greece	Bosnia and Herzegovina - Serbia
Serbia-Bulgaria	Croatia-Montenegro
Serbia-Hungary	Croatia-Serbia
Serbia-Romania	Montenegro-Serbia
IPA CBC Adriatic	

Looking at the already quoted IPA planning documents for 2010-2011, it is possible to find some explicit reference to the role of local and regional authorities in the framework of cross-border cooperation programmes. For example, in the case of the CBC programme between FYROM and Bulgaria one of the main objectives is identified as strengthening cooperation among local/regional authorities; in the case of Serbia, the aim of the EC assistance is identified as developing local capacity in relation to cross-border cooperation in border regions while also targeting specific local development projects

Generally speaking, strengthening the cooperation at local and regional levels is a key objective in all CBC programmes developed in the Adriatic area. Overall, the attention to the component of capacity building and cooperation between institutions seems to be higher in Cross-border programmes between Western Balkans and Member States than in the ones between Western Balkans Countries. This is probably due to the request, coming both from Candidate and Potential Candidate Countries, to receive EU partner support through the CBC for the enhancement of institutions at all different levels, especially with regards to the management of European instruments.

CBC strategic programmes themselves often include direct or indirect references to decentralisation and strengthening of local institutions within the partner countries³⁴ especially in the case of EU-Western Balkans CBC Operational Programmes. For example, in the case of the Adriatic CBC programme one of the principles on which the strategy is based is to encourage “a process that combines territorial potential and the capacity of regional and local partners to find solutions to common problems” (p. 49); furthermore, the first axis of the Programme (Economic, Social and Institutional Cooperation) includes a measure dedicated to Institutional Cooperation (1.4) that aims at promoting innovative services to the public “also through the spread of best practices between local government authorities”. Both Greece-FYROM and Bulgaria-FYROM programmes include a description of the ongoing decentralisation processes in the countries, to stress the role of regional and local authorities in the implementation of cross-border cooperation activities. In the latter programme (Bulgaria-FYROM), the ongoing decentralisation process is also identified as one of the strengths on which further regional development can be built (p. 29 of the programme document). On the contrary, in the Croatia-Slovenia CBC Programme the inadequate level of fiscal decentralisation in Croatia is seen as a weakness (p. 35 of the OP). In the Serbia-Romania Programme efforts have been paid to “ensure balanced participation of the local authorities involved from both countries” (p. 5 of the OP).

In any case, IPA CBC programmes are not the only active networks across the Adriatic Sea. On the contrary, the Adriatic Basin shows numerous and strong networks at local and non-governmental levels. As examples, we can see the Forum of Adriatic and Ionian Cities and towns³⁵, the similar

³⁴ Links to all IPA CBC programmes websites (the ones that involve a Member State) are available at http://www.interact-eu.net/ipa_links/80.

³⁵ <http://www.aap2020.org/FAICT/home.htm#>.

forum of the Chamber of Commerce³⁶, or Uniadriion, the network of 32 Adriatic and Ionian Universities³⁷, or the numerous networks among cultural institutions. Many links and networks also exist among regional and local institutions, inherited from the cooperation activities that have involved numerous Italian regions and municipalities as a response to the Balkan wars in the 1990s³⁸. Following these relations, an Adriatic Euroregion was created in 2006 as an institutional framework for cooperation at local and regional level across the Adriatic Sea³⁹.

All the links and networks existing at local and regional levels across the Adriatic sea have to be connected with the equally relevant relations among the governments of the area that have been developed in recent years through the framework of the EU enlargement process and of the Adriatic-Ionian Initiative (AII)⁴⁰. This framing draws a multi-level and multi-actor region that may find, in the near future, a new strategic framework in the creation of an Adriatic and Ionian Macroregion⁴¹.

The concept of Macro-Regions was born from an initiative of the Baltic countries:

“The macro-region is a strategy that contributes to Europeanization, where every institutional level takes part in a positive-sum game: the local and national levels are protagonists in the establishment of a space and in the achievement of a goal linked to regional development that crosses the frontiers, making it possible to deal with common problems with a beneficial impact for all participating parties, contributing to strengthen the unity of Europe”⁴². As regards the macro-regional strategy added value, it can be found “in the integrated approach, namely the multi-level and trans-national governance for an effective coordination of EU, national and regional instruments and financing of flagship projects. The innovation concerns the building of a new governance for achieving more efficacy in facing common challenges and opportunities. The macro-region (...) involves the whole of local, regional, national and Community levels as well as civil society and private stake holders in a trans-national and interlinked geographic scale. It is a new multi-level and multi-actor approach on trans-national territorial development”⁴³.

As already mentioned in the first SeeNet Report, the common Declaration for the creation of an Adriatic-Ionian macro-region⁴⁴ was signed in the city of Ancona on May 5th, 2010, by the Adriatic-Ionian Council. The declaration was signed by the representatives of the Governments of Albania, Bosnia and Herzegovina, Croatia, Greece, Italy, Montenegro, Serbia and Slovenia. A new political declaration has resulted from the 2011 meeting of the Ionian Adriatic Initiative, held in Brussels on May 23rd. According to the declaration⁴⁵, signed by the same representatives as the previous one, the states not only “reaffirm the support to the EU Strategy for the Adriatic and Ionian Macro-Region”, but also “confirm their readiness to cooperate with the EU Commission on the preparation and implementation of the Strategy, involving national, regional and local administrations”. Furthermore, in the declaration the states “underline that the Strategy, thanks to its inclusiveness and comprehensiveness, will be highly beneficial for non-EU member States as it reaffirms that their future lies in the European Union and since it will allow them to

³⁶ <http://www.forumaic.org/>.

³⁷ <http://www.uniadriion.net/>.

³⁸ Coletti R., Cugusi B., Piccarozzi M. (2008), *From Local to Glocal Networks: Lessons from the Balkans*, International conference “Globalisation, Conflict and the Experience of Localities”, International Sociological Association, Rome, June 28-29.

³⁹ Information on the Adriatic Euroregion can be found at <http://www.adriaticeuroregion.org/index.php?lang=en>.

⁴⁰ http://www.esteri.it/MAE/EN/Politica_Estera/Aree_Geografiche/Europa/Balcani/IAI.htm.

⁴¹ We would like to thank Mr Marco Bellardi, of the Ionian Adriatic Initiative Secretariat for the up-dated information on the Macro-region strategy building process.

⁴² Andrea Stocchiero (2010), *Macro-Regions of Europe: Old Wine in a New Bottle?*, Working Paper CeSPI 65/2010.

⁴³ Andrea Stocchiero (2010), *The Geopolitical game of the European Union strategy for macro-regions; Where does the Mediterranean Stand?*, Working Paper CeSPI 74/2010.

⁴⁴ Declaration of the Adriatic Ionian Council on the support to the EU Strategy for the Adriatic Ionian Region. The 12th Adriatic Ionian Council. Ancon, 5 May 2010.

⁴⁵ The 13th Meeting of the Adriatic and Ionian Council, *The Brussels Declaration 2011*, Brussels, 23 May 2011.

advance on the path towards EU accession through a structured framework based on the EU acquis” and “emphasize the importance of intergovernmental cooperation in the Adriatic and Ionian basin, as a tool for fostering balanced and sustainable development in the region, and reaffirm their commitment to the AII as an important platform for achieving that scope”.

In the meantime, the Italian Ministry of Foreign Affairs is putting in place important diplomatic efforts towards the creation of the Adriatic and Ionian Macro-region. As an example, Italian ministry’s representatives organized several meetings during 2010 and 2011 with representatives of the European Commission, from the governments of Greece and Slovenia and of the Danubian Macro-region (to avoid competition and strengthen cooperation between the two macro-regional areas). Also, the government is paying attention to the involvement of Balkan partner countries into the macro-regional perspective, using the Ionian-Adriatic Initiative as a privileged space for discussion. In this way, partner countries are not only made aware of the macro-regional perspective but they are also to be actively involved in the process of defining strategies and priorities for the Macro-region. To allow coherence with the priorities of the next financial perspective (that will start in 2014) the strategic objectives and priorities of the macro-region have to be defined, at the latest, by the end of 2012.

As regards the role played by local and regional authorities, the most active region that is pursuing the Ionian-Adriatic macro-regional perspective is undoubtedly the Region of Marche. From the beginning, the Region of Marche has joined the efforts of the Italian Ministry of Foreign Affairs towards the creation of the Macro-region, working on several initiatives to spread the idea of the Macro-region among potential partners. As an example, it is possible to recall the events on the Macro-region that the Region of Marche has organized like the one that took place in Ancona on October 27th, 2010 with European Parliament representatives⁴⁶. Furthermore, the Region has developed an animated activity towards its territory, putting in place numerous initiatives involving local stakeholders (industrial organizations, Provinces, Municipalities etc.) and/or the participants of the aforementioned Adriatic networks of cities, chambers of commerce and universities. These networks have also allowed the Region to highlight, among local Balkan partners, the opportunities that the macro-region can offer, paying special attention to the enlargement perspectives and the wellbeing of the Adriatic area. In this way, the Region of Marche is contributing to the development of a macro-regional perspective across the Adriatic Sea.

The Region has paid specific attention to the other Italian Ionian-Adriatic Regions that have been asked to join the efforts in spreading the idea and knowledge of the macro-region within their territories. Some responses are already visible: for example, the Region of Puglia organized a Conference on the macro-region in Bari on September 17th, 2010.

At present, the Region of Marche has been charged by the Committee of the Regions (CoR) to prepare an opinion on “Territorial cooperation in the Mediterranean Basin through the Ionian Adriatic Macro-region”. The opinion is supposed to be finally approved by the CoR in the plenary session expected on October 11th, 2011, in Brussels. On the same day, during the European Union “Open Days”⁴⁷, a meeting on the Macro-region will be held with the participation of 12 representatives of Italian and Balkan territories⁴⁸ that sustain the macro-regional perspective. The meeting will be a very important opportunity for Balkan territories to show their interest in the

⁴⁶ Representatives from the European Democratic Alliance.

⁴⁷ Since 2003, the Open Days has become an annual event at which cities and regions showcase their capacity for creating growth and jobs, implementing European Union cohesion policy, and prove the importance of the local level for good European governance. The Open Days are conceived and developed by the EU Committee of the Regions and the European Commission, Directorate-General for Regional Policy.

⁴⁸ Marche (IT), Istria (HR), Abruzzo (IT), City of Kragujevac (RS), Niš (RS), Dubrovnik-Neretva Region (HR), Emilia-Romagna (IT), Hercegovacko-Neretvanska County (BA), Molise (IT), Montenegro (ME), Republic of Slovenia (SL), Republika Srpska (BA), Sarajevo Canton (BA).

macro-region: local and regional representatives of non EU-countries in fact do not have many opportunities to get involved in the political debate that is ongoing within the European policy arena.

The macro-region represents an important opportunity for strengthening the relations at local and regional levels and for further developing the decentralisation process ongoing in several Balkan Countries. In fact, the macro-region offers a multi-level institutional framework where local and regional authorities will cooperate with national governments in the formulation and implementation of strategic projects. The institutional cooperation of South-Eastern European Countries with EU partners will stress the role of local and regional authorities in identifying priorities and acts for local and regional development. Moreover, this cooperation will help Balkan Countries in obtaining a clearer and stronger distribution of competencies and responsibilities among different institutional levels. It is worth mentioning that the Macro-region will not substitute the existing Adriatic Euro-region: if approved, the macro-regional strategy would sustain a limited number of big strategic projects while the Adriatic Euroregion would continue to offer a key framework for smaller projects and to strengthen cross border and trans-national cooperation at local levels.

The multilevel governance structure that is proposed within the Macro-region will potentially enhance the role of local and regional authorities in the management of the Adriatic territory and the definition of a comprehensive strategy at a macro-regional level that could contribute to a balanced development of the area. The structured involvement of different institutional levels will guarantee a better ownership of development strategies increasing their efficiency and a better application of the subsidiarity principle may follow.

The following paragraphs offer a general overview on the main findings of the case studies, focussed on the current situation in the Balkan territories with regards to decentralisation. This kind of analysis offers important elements to understanding the main strengths and weaknesses of the ongoing processes, providing key elements to understand where to concentrate cooperation activities to better pave the way for the Adriatic cross border and macro-regional cooperation perspectives.

3. EVIDENCE FROM CASE STUDIES

The seven territories have been analysed according to a common research methodology, aiming at providing an exhaustive picture of the ongoing decentralisation process and of the competencies of local and regional governments in each country with a special focus on the key themes of SeeNet intervention.

The main findings of the research reports is summarized in the following paragraphs, with the aim of offering a general overview of the situation in the Balkan countries and specifically in the SeeNet territories with regards to decentralisation. Convergences and divergences between the different contexts have been identified. This analysis should help in designing possible network and cooperation activities that could be supported by the IPA CBC component and in the foreseen macro-regional strategy.

3.1 Decentralisation: the institutional and political framework

All the Countries in South East Europe have gone through significant institutional changes in the last two decades. The administrative reorganization of the countries following the collapse of the former Yugoslavia and the further re-definition of the Western Balkan States have led to the

creation of complex and multilayered systems. Overall decentralisation has been an important component of this administrative renewal but the case studies show that there are significant differences among the processes carried out in the different countries.

- ❖ **Albania** started its decentralisation process in 2000, with the aim of decentralizing functions and responsibilities towards the Local Government Units. The basic principle of the decentralisation process is the principle of subsidiarity, namely securing the highest level of public service at a government level as close to the public as possible. The case study highlights that Local Governments are challenged by this process, as their resources, capacities and competencies are limited. The most recent step towards decentralisation in Albania can be considered the “Regional Development Cross-Cutting Strategy” approved in 2007, aimed at channelling existing funds into the system and putting into place an efficient management framework for regional development. The strategy has been adopted, but its concretization and implementation lies still ahead.
- ❖ As already mentioned in this report, the case of **Bosnia and Herzegovina** is particularly complex. Traditionally, the political system in the country was constructed in a strict and centralized fashion. The system was radically decentralized by the Dayton Agreement in 1995; nevertheless a clear and efficient distribution of responsibilities among different institutional levels is still missing. The real issue in Bosnia and Herzegovina is not decentralisation, but the creation of central state institutions that overcome ethnic and territorial divisions.
- ❖ In **Croatia** several activities aiming at strengthening the fiscal and management power of the local and county government have been undertaken since 2001 (after the constitutional changes of 2000). In particular, there is continuous pressure on the central government to enable fiscal decentralisation which is considered a necessary pre-condition for any decentralisation process. The current government, appointed in 2009, announced a comprehensive public administration reform at the beginning of its mandate including local self-government reform. The Ministry of Public Administration has developed some “Guidelines and Principles for Functional Decentralisation and Territorial Reorganization”. Three main actions are foreseen: functional decentralisation, fiscal decentralisation and territorial reorganisation. The process is now in its implementation phase.
- ❖ **Kosovo** introduced a decentralised local governance system only in 2008, only in the sense that this was the first time that local governments carried full executive authority in the areas of their competencies and were directly accountable to the local community rather than to the communist party (during Yugoslavia), the national government (under Milošević) or the international community (UNMIK). Decentralisation in the country is currently based in the Ahtissari Proposal⁴⁹ that states: “Local self-government in Kosovo shall be based upon the principles of the European Charter of Local Self-Government and in particular, the principle of Subsidiarity”.
- ❖ **Montenegro** gave a strong impulse to the decentralisation process through its Constitution, approved in 2007. In the same year, the Government of Montenegro set up a “Coordinating Committee for the Reform of local Self Government” to monitor the decentralisation process and prepare an evaluation of local self-government reform. Overall, the country probably has the adequate legislative provisions for decentralisation but this legislation is not fully implemented. In 2009, a draft of the Law on Territorial Organization was prepared introducing the administrative region level but the law was not adopted. Currently, the administrative division of the country consists of the national level and local government level.
- ❖ Finally, in the **Republic of Serbia** decentralisation and regionalisation can be considered among the most politically sensitive topics (see the Kosovo issue). Ever since the

⁴⁹ For more detailed information on this matter please refer to the case study for *Pejë/Peć* in Kosovo by Adrian Zeqiri.

democratic changes in late 2000, decentralisation has become an issue of intensive public and political discussion, so far without reaching a final consensus on the structure of vertical hierarchy of the government architecture. Although the level of competencies of the local self-government units has increased significantly in recent years, Serbia is still one of the most centralised countries in Europe. On the other hand, Vojvodina enjoys a high level of autonomy for historical motivations.

As regards the specific issues of the SeeNet intervention, there are different degrees of competence and responsibility among local partners. All of the issues are managed with shared responsibilities among different institutional levels in all the considered territories but four different situations can be identified. The following table summarizes the situation in each territory:

<p>Shared responsibilities with key competencies in the hands of central government that plays an important role</p> <ul style="list-style-type: none"> ❖ Albania – Region of Shkodra - <i>Social Planning</i> ❖ Montenegro – Municipality of Budva - <i>Territorial and Environmental Planning</i> 	<p>Shared responsibilities with significant autonomy at local-provincial-regional level and virtuous cooperation with central government</p> <ul style="list-style-type: none"> ❖ Croatia – Region of Istria - <i>Cultural and Environmental Heritage</i> ❖ Serbia – Autonomous Province of Vojvodina – <i>Local Productive Systems</i>
<p>Shared responsibilities with key competencies in the hands of central government but lack of national intervention</p> <ul style="list-style-type: none"> ❖ Republička Srpska (BiH) – Municipality of Trebinje - <i>Rural tourism</i> ❖ Federation of Bosnia and Herzegovina (BiH) – Municipality of Travnik - <i>Mountain Tourism</i> 	<p>Shared responsibilities with significant autonomy at local-provincial-regional level and lack of central intervention</p> <ul style="list-style-type: none"> ❖ Kosovo – Municipality of <i>Pejë/Peć</i> - <i>Environmental Tourism</i>

As already mentioned, in all of the cases the competencies in the considered fields (tourism, spatial planning, culture, economic development etc.) are shared between different levels of government with a local level that manages competencies in the framework of the national strategic framework but with limited interaction and integration between the levels. Also, it is worth mentioning that the laws and regulations that determine competencies of local authorities in different fields are in the majority of cases very new: this means that the competencies are not only usually not clear but shared with different tiers of government and are also relatively new in the hands of the local authorities that are probably still working on the best way of managing them. In addition, almost all local units share a lack of funds and capacities for the management of the assigned competences.

Decentralisation processes have been sustained from the very beginning by a strong involvement of the international community. It is possible to say that all the active donors in the countries of the Western Balkans have been involved in at least some projects aimed at decentralisation and strengthening of local and regional authorities. A specific role in supporting decentralisation has been played by EU accession perspectives although this impact seems to be different from one country to another. The accession process is one of the driving factors of the decentralisation and regionalisation processes: in Croatia a new regional policy based on principles and practices of Cohesion policy was introduced; in Montenegro, decentralisation is influenced by the objective of harmonisation of national legislation with EU *acquis*; in Albania, absorption capacity of EU funds is the objective pursued by the Regional Development cross cutting strategy; in Kosovo, the Government is strongly pro-Europe.

On the other hand, the impact seems to be limited in Bosnia and Herzegovina where the focus of EU intervention has been, up to now, the support of the State and its institutions in order to create a solid partner in future EU enlargement process; and also in Serbia, where it is nevertheless expected from local and provincial authorities that reforms towards the EU integrations will create spin offs

towards more decentralisation in the near future. In any case, almost all the countries are regionalizing their territory according to the European model (based on NUTS) even though in some cases these new territorial partitions do not respect the current administrative borders.

Overall, cooperation projects aimed at strengthening local governance are very common throughout the Balkan countries; still, local and regional authorities are facing new challenges based on the ongoing decentralisation process that is widening their competencies and responsibilities. Cooperation projects that take into account the peculiar needs of territories in this specific moment and that open a dialogue channel with the central governments that are leading the decentralisation process are welcomed in the near future.

3.2 Power and resources of local self-government units

As regards the responsibilities of local self government units in the different Balkan countries, some common issues can be identified. Overall, as already mentioned, local governments have been the target of significant decentralisation processes in the last few years and are currently in charge of numerous duties although with an uneven distribution among the different countries. The competencies sometimes include a regulatory responsibility but always include service provision duties.

The decentralisation process is usually based on a complex set of norms: almost all the Balkan Countries have adopted a Law on Local Self Governance but a lot of competencies are regulated in other sectoral laws. Also, some competencies derive from the different Local Government Units and their own Statutes. As regards financial resources, the main sources are usually tax revenues (shared with other government levels) and transfers from upper levels. Generally speaking, the financial situation of Local Government Units is fragile and weak.

In the majority of the countries, competencies and responsibilities are shared with different levels of government and the level of autonomy of the Local Government Units vary according to different sectors. Almost all Local Government Units have to face two particular kinds of challenges: on one side, inadequate numbers and capacity in terms of human resources and expertise to manage the decentralised functions; on the other side, a lack of adequate financial resources to carry out all the new responsibilities. Furthermore, some case studies highlight the lack of local and regional statistics as a serious concern for local development activities because policies are not underpinned by a clear understanding of problems and opportunities. A common issue that emerges from the case studies is also a lack of adequate infrastructures and general issues about territorial planning. International cooperation might offer (and has offered in the past) an important support to Local Government Units in all of these fields.

A look to specific SeeNet territories and sectors confirms the framework that has emerged from this general glance but adds some specific information that might be useful for SeeNet partners⁵⁰.

- ❖ In the field of social services, local self government in Albania plays an important role sharing the responsibilities with the central government within the national policies defined by law. The Region of **Shkodra** has an Action Plan for Regional Development, valid until 2015. In the framework of the document, the priorities with regards to social services are fixed in the following: university-level education, public service infrastructure and health. As regards financial resources, in the coming years Shkodra Region is planning on financing mainly primary health and education. Also, communes and municipalities have strong competencies in the field of social services, some of them exclusive (like preservation of local cultural and historical values, organization of sportive and leisure activities, kindergartens, elderly centres, orphan centres etc.) and others shared with upper levels of government (such as school services, public health and social assistance). Two main issues emerge from the report for the enhancement of Shkodra Region in the management of social

⁵⁰ For an in-depth analysis of each territory, please refer to the analysis carried out by local researchers.

services in the near future: the first is how to increase the efficiency of public spending and better combine project donor resources in compliance with objectives and public spending rules. The second is how to improve the involvement and coordination of different stakeholders (private and public) in the social field.

- ❖ With regards to the municipality of **Trebinje** (Republica Srpska), as already mentioned, the competencies over rural tourism (which is the priority of SeeNet intervention in the municipality) are shared with the local level but are mainly centralised at entity level. Nevertheless, the municipality of Trebinje is putting in place different initiatives in the field of rural tourism, for example defining a strategic framework for rural tourism within their local development strategies. Competence at the local level is shared by the municipality through the office for rural development within the Department for Economy and the local Touristic Information Centre. The municipality also suffers from a lack of funds as the current revenues of municipal budgets are enough to cover operational expenses and certain local investments but do not allow the municipality to devote resources in local development. The donor funds are only used as part of some bigger international initiatives and not for ordinary management.
- ❖ Municipality of **Travnik** (Federation of Bosnia and Herzegovina) has a small budget as they receive little funding from the Federation and Canton. Additional funding and capacity building from international cooperation agencies (USAID and SIDA) was a key element for the Municipality in carrying out its duties. As regards territorial development, the canton has legal leverage but scarce capacities and resources and municipalities are alone in conducting some territorial development projects. The expertise of the municipality on tourism (which is the SeeNet sector of intervention) is very limited although it has improved in recent years. The municipality is trying to mobilize funds from international donors as its own budget is not adequate to cover activities related to mountain tourism.
- ❖ In **Croatia**, from 2000 onwards, several laws were amended to reflect the intention of significantly decentralizing the responsibilities for culture. Cultural institutions are currently mainly founded by bigger towns and sometimes by counties and municipalities. Overall, the main funders of culture in Croatia are the Ministry of Culture and the larger towns, despite the fact that starting in 2009 the economic recession has resulted in significant cuts in the budget of the Ministry. Istria County is a very powerful actor in the field of culture: an Istrian cultural parliament has been established which brings together all cultural institutions and individuals and Museum networks of Istria; furthermore, Istria County has seven Cultural Councils. The role of the local level in the cultural sector is increasing and Istria County has a greater impact than the Ministry of Culture for cultural development. The main problems in the cultural sector that will need intervention in the near future have been identified within the report on conservation practices (and the role of local conservation departments); in the lack of trust and knowledge of the cultural industry that limits its development; and in the lack of attention towards the rural heritage of the country.
- ❖ In the case of **Kosovo**, tourism is fully and exclusively the competency of the **Municipalities**. The management body for funds in the Municipality of Pejë/Peć is the Tourism Department, within the directorate of finance, economy and development. The municipality operates in the field of mountain tourism alongside three other relevant actors: small and medium enterprises (namely local restaurants and hotels), local NGOs and international donors. No other major local public actors are active in tourism since all public companies in the sector have been privatized over the last few years. The absence of a central state causes a lack of vast area programming in tourism development and a fragmented approach that reduces the growth opportunities for each single locality.
- ❖ In the case of **Montenegro**, according to the Law on Local Self Government, Municipalities have their own competencies within the different spheres of public life. The Budva statute specifies the following responsibilities of the municipality: “Normative managing of

conditions for maintaining issues of public interest; governing over the municipal property; organizing, using and protecting the municipal territory; environmental protection; ensuring economic development of the municipality; expediting cultural development etc.” Consequently, Budva has competencies in spatial planning that is managed mainly through the *Secretariat for Urban Planning* and the *Agency for Spatial Planning* (there are currently tendencies to merge these institutions). There are also a large number of public companies in the Municipality of Budva; among them Budva Holding is relevant in the field of urban planning as it is in charge of managing the municipal property in order to promote joint investments with foreign partners to transform it. The relation with private partners in Budva has created some problems in the selection of partners and in the proper assessment of risks which is a relevant issue also at present. Another important topic that is worth mentioning is the fact that the management of Budva municipality in spatial planning is limited by the Law on State Property that establishes that Municipalities need the approval from the State to sell municipal property

- ❖ The law on Establishing Competencies of the **Autonomous Province of Vojvodina** was approved only in 2009. This means that the competencies and responsibilities of the Province in several fields are relatively new. It is important to mention that the allocated competencies of Vojvodina are not exclusive and autonomous but shared with either the ministries of the national government or with the cities and municipalities. Nevertheless, Vojvodina’s government has competencies in planning the economic development of its own territory. As a consequence, the government of Vojvodina has paid a lot of attention in creating provincial institutions for supporting economic development. Moreover, the Province supports numerous project initiatives and business opportunities. In addition, Vojvodina’s government provides sector-based incentives for specific production such as agriculture, metal processing industry, ICT and tourism. Two important weaknesses in Vojvodina activities for local development can be identified in the lack of financial resources and in the lack of a law on property of local self-government units: currently all public property is owned by the Republic of Serbia.

3.3 Multi-level dynamics

As the decentralisation process is still ongoing in the Balkan countries, there is often a lack of structured and efficient multilevel management models. Nevertheless, there is always some kind of dialogue between central and local government units.

As regards the vertical dialogue between central state and local government with specific reference to SeeNet intervention issues, this seems to be quite strong in some of the considered territories. This is, for example, the case in the cultural sector in Croatia: cooperation between national, regional and municipal levels of government is a very important segment of cultural policy particularly with regards to investment projects in renewing old institutions or buildings and setting up new cultural institutions (such as libraries, archives, museums and theatres). The Region of Istria is a leader in transforming Istria into a cultural district but it has to cooperate strongly with all towns and municipalities, with neighbouring Slovenia, with the national Ministry of Culture and other ministries (tourism, development, regionalism and agriculture) and with various bodies within the European Commission.

Vertical cooperation also seems to be efficient in Montenegro with regards to spatial planning and tourism: in the opinion of the interlocutors operating in this sector in the Budva territory there is good communication and a clear distribution of responsibilities between the central and local level. In addition, the interlocutors are satisfied with the level of decentralisation in this specific sector.

In the opinion of the interviewed officials of Autonomous Province of Vojvodina, there is satisfaction with the level and quality of communication and cooperation with the higher (central) and lower (local) levels of government although it was emphasised that the quality of

communication is better if the same political party leads the cooperating institutions. The Province officers are concerned about the lack of institutional coordination mechanisms towards the lower levels of governments in the field of regional development; namely, according to the Law on Regional Development, the Province is not allowed to establish an agency to manage the involvement of horizontal actors and coordinate subordinate development agencies from lower levels of government.

In Albania there is a quite efficient coordination mechanism in the framework of the ongoing decentralisation process. The central government has a strong interest in efficiently transferring responsibilities and competences to the local level with the aim of addressing regional disparities within the national process of regional development. The Regional Council of Shkodra is responsible for the implementation of the regional development strategy of the central government. In any case, while the Government does allocate funds for each Region, the current main challenges for the Shkodra Regional Council is to build capacities for absorbing future Regional Development funds through the County Development Agency Teuleda.

On the other hand, some of the reports reveal difficulties in the vertical coordination in SeeNet specific sectors. As regards the Travnik municipality in the Federation of Bosnia and Herzegovina, the report highlights a huge problem in communicating between different levels of government. Although there have been some improvements in this field (and it is recognized that the flow of interaction is better than it was five years ago) this is still far from satisfactory. The lack of communication results in a lack of coordination which has negative effects on the socio-economic development of the municipality. On the other hand, the central and county levels are weak and can not support the local level. As a result, the initiatives supporting mountain tourism development and, in particular, the activities connected with the SeeNet project, remain strictly within the local community: they are the ones who have invested the biggest resources for tourism development since the end of the war.

In the case of Republica Srpska, as already mentioned, the competencies in tourism and rural development are mostly at the entity level. There are limited dynamics between relevant stakeholders in this area – the RS Ministry for trade and tourism, the RS Ministry for Agriculture, municipalities, local touristic organizations, donors, household etc. Nevertheless, there are currently no recorded initiatives for more decentralisation of competencies related to rural development and tourism. However, without strong cooperation, municipal management, especially for weaker municipalities, almost totally relies on assistance from the central government and Republic Institutions.

Finally in the case of Kosovo, tourism, as already mentioned, is a competence of the municipality, and therefore falls fully under its authority. The role of the central level government should be to provide guidance to the municipalities through the development of legislation and strategic vision but in practice the role of the central government in mountain tourism has been limited. Although the Ministry developed a strategy for 2010-2020 on tourism, this strategy has, so far, not been implemented in any way. The department of Tourism within the Ministry of Trade and Industry has limited financial resources and the municipality of Pejë/Peć plays a much bigger role in tourism management and development than the central level. So far the involvement of the central government remains minimal and consequently also the cooperation and coordination mechanisms among different levels have not been fully explored even though local actors are interested in strengthening this cooperation in the future, possibly with the help of international projects.

Overall, international cooperation could play an important role in improving multilevel dynamics in the Western Balkans, enhancing the dialogue with central governments in the framework of cooperation projects. As regards Italian local and regional authorities, although the main focus of their actions rely on local and regional counterparts, it is important to keep in mind that multilevel dynamics are crucial factors for the development of a country. Italian local and regional actors have strong expertise in the field of multilevel architecture (grown both at national and European level);

moreover their status as international cooperation actors and donors also puts them in the position to directly confront central governments. A growing involvement of different institutional levels in cooperation projects might offer the Balkan counterparts an important added value, helping them to address the multilevel governance issues – a crucial element for addressing the accession perspectives and the possible Adriatic macro-region.

Some of the reports also emphasize the role of horizontal cooperation and coordination among different local government units as driving forces for the decentralisation process and as an instrument of cooperation among different levels of government. This is the case in Albania, where local governments are organized in three national associations (Albanian Association of Municipalities, Albanian Association of Communes, Albanian Association of Regions) that seem to play a significant role in bringing the view of Local Government Units into the political debate. Moreover, the associations are increasingly successful in influencing political decisions on decentralization issues at the central level. In addition, the Republika Srpska, the RS Association of municipalities and cities that brings together all the 63 local government units of the Republika Srpska, signed a Memorandum of Understanding with the RS Government in 2006 which provided an opportunity for the Association to participate in the change of legislation, to take part in the working groups of the RS Government and to participate in reform processes related to decentralisation and local self-government reform. Although local government representatives had big expectations for this memorandum, communication and cooperation between the RS Government and the Association has not really improved in the last five years. In the case of Montenegro the Union of Municipalities not only offers a space of dialogue among municipalities but also organizes consultative meetings between the Ministry of Finance and representatives of Municipalities, thus improving the vertical coordination. In the case of Kosovo, several municipalities in the Dukagjini region signed a Memorandum of Understanding in September 2010 on cooperation in the tourism sector, based on a USAID initiative.

Overall, the associations of Local Government Units are important vehicles of cooperation and coordination at the horizontal level, among municipalities and regions that might share, at least to some extent, the same problems and issues. Usually the weakest are the municipalities, the more they tend to rely upon the central government instead of investing in horizontal cooperation; nevertheless, the existence of such associations offers an important platform for cooperation that might be strengthened in the future alongside the growth of competencies and the building of confidence in Local Government units. As a consequence, these associations might be considered interesting counterparts in international cooperation projects.

Also, the reports take into consideration the dialogue among local government units and private and public actors within each territory, as a form of horizontal territorial cooperation that provides an added value to the actions carried out by the local institutions. For example, in the case of Pejë/Peć, the report highlights how cooperation between different actors that operate in the field of tourism in the territory (the municipality, the private sector, NGOs and international donors) is generally seen as open and productive but it also mentions some problems in the relations that limit the development of the territory. In the case of Vojvodina, there is a quite intensive multi-layer, multi-dimensional and multi-sectoral dynamism among different public and private development actors; nevertheless, the perception of the rules and the quality of the game significantly differs among representatives of different actors in the development arena (while Provincial representatives claim very good cooperation with all the horizontal state and non-state actors, some of the interviewed non-state actors expressed critical positions towards the Province). In the case of Travnik and Trebinje, the private sector plays a crucial role in the development of mountain and rural tourism. In the case of Croatia, the private sector plays an important role in the field of culture and might be more important in the future depending on whether or not the public understands that this could be a significant profit sector. Overall, improving the mechanisms for horizontal cooperation, with particular attention to private-public partnerships, seems like an interesting field of intervention for territorial cooperation.

4. CONCLUSIONS

Decentralisation in the Western Balkan is a key issue, sustained by central governments and supported by the efforts of the international community. Although the decentralisation process is generally perceived as favourable and positive for its links with democratization and efficiency of the State, numerous scholars have reflected on the risks of the decentralisation process in post-ethnic conflict situations. “Decentralisation is nowadays often used by the international community as a magic formula to ‘freeze’ ethnic conflicts, providing a short term solution that, if not thought through thoroughly, could have inverse implications in the long term”⁵¹.

Numerous scholars have highlighted the risks connected with the decentralisation process in areas of ethnic conflict, arguing that “decentralisation as exercised in post-ethnic conflict regulation enhances ethnic entrenchment rather than fostering appeasement through democratisation”⁵². Different reasons are offered for this effect: “Some scholars suggest that decentralisation increases ethnic conflict and secessionism because it reinforces ethnic identities by recognizing certain ethnic groups in countries and giving them a sense of legitimacy. Other scholars argue that decentralisation increases ethnic conflict and secessionism by enabling groups to produce legislation that discriminates against regional minorities, while a third group of scholars suggest that decentralisation encourages ethnic conflict and secessionism by providing regions with certain resources that make engaging in ethnic conflict and secessionism easier to do, such as regional legislatures, regional forms of media and regional police forces”⁵³. It is recognized that political decentralisation may directly reduce ethnic conflict, “by bringing the government closer to the people and increasing opportunities to participate in government”, but on the other side “it increases ethnic conflict and secessionism indirectly by increasing the strength of regional parties in countries. Regional parties intensify ethnic conflict and secessionism by reinforcing ethnic and regional identities, producing legislation that causes certain groups to feel threatened in a country, and mobilizing groups to engage in ethnic conflict and secessionism or supporting terrorist organization that participate in these activities”⁵⁴.

These kinds of risks are clearly perceived in the public opinion in countries like Bosnia and Herzegovina, Serbia and Kosovo. These countries are in fact the ones where the heritage of war is strongest and so is the fear of ethnic divisions that might be associated with the process of decentralisation. In Bosnia Herzegovina, the war that ended in 1995 institutionalized ethnic differences by administrative organization of the country, not only at an entity level (with Republika Srpska characterized by a Serbian majority and Federation of Bosnia and Herzegovina mainly hosting Croatian and Bosniak majorities), but also at a municipal level. As the reports highlight, currently 80% of municipalities are dominated by one ethnic group⁵⁵. Decentralisation is then a very sensitive political process. In Serbia, the contested status of Kosovo-Metohija put the decentralisation process in a very delicate position⁵⁶. In Kosovo, finally, the debate over decentralisation has had strong political implications⁵⁷. Numerous citizens and political parties

⁵¹ Camille A. Monteux (2006), “Decentralisation: The New Delusion of Ethnic Conflict Regulation?” in *International Journal on Multicultural Societies*, Vol. 8, No. 2, pp. 162-182 (p. 179).

⁵² Camille A. Monteux (2006), p. 163.

⁵³ Dawn Brancati (2006), “Decentralisation: Fuelling the Fire or Dampening the Flames of Ethnic Conflict and Secessionism?” in *International Organization* n. 60, pp. 651-685.

⁵⁴ Dawn Brancati (2006), p. 656.

⁵⁵ Please refer to the report on Trebinjie Municipality (Republika Srpska) by Aleksandar Draganic.

⁵⁶ Please refer to the report on the Autonomous Province of Vojvodina (Serbia) by Dragisa Mijacic.

⁵⁷ Please see Adrian Zeqiri and Virginia Stephens (2007), “The challenge and perspectives of the implementation of the decentralisation process in Kosovo”, in *European Yearbook on Minority Issues*, Vol. 7, 2007/2008, European Centre for Minority Issues.

believe that decentralisation is an instrument for creating Serb-municipalities rather than the promotion of effective governance. Some of those citizens/parties fear that decentralisation will lead to ethnic separation. Even the main political parties at the central level strongly support decentralisation because it is a part of the Ahtissari Proposal and driven by the accession perspective of Kosovo but there is no support based on policy grounds⁵⁸.

The path towards European integration and the growing cooperation between European and Balkan local and regional authorities require a stronger capacity in the local and regional governments; but it is important that European partners at all levels reflect upon the implications of this approach in each different context⁵⁹, and are well-aware of the sensitivity of this topic in the South-Eastern Europe Countries. It is important for European counterparts to avoid the risk of strengthening ethnic divisions while sustaining the decentralisation process.

It is worth mentioning that, according to a case study carried out on Kosovo, Macedonia and Bosnia Herzegovina, one of the key elements to success with an appropriate decentralisation process might be to institutionalize central/local government relationships alongside the decentralisation process: “the lessons learned offered by those examples could be borne in mind by the international community and local actors in post ethnic conflict situations when institutionalising decentralisation to reach the ultimate aim: the appeasement of community relations through adequate and solid democratic power-sharing mechanisms: as neither decentralisation nor power-sharing alone have proved to be sufficient for the success of this scheme”⁶⁰.

In actuality, support for multilevel dynamics and to improve power-sharing mechanisms can also be offered at local and regional levels in pursuing the general objective of peaceful and long-term development in partner territories. This kind of help might be offered alongside support towards an efficient decentralisation system, through capacity building and local development initiatives. Other mechanisms to support decentralisation without enhancing ethnic divisions might be identified in cooperation with local partners: Italian local and regional authorities merely need to pay specific attention to this topic in their cooperation activities.

Through the SeeNet programme Italian regions have established a relevant partnership platform with South-Eastern Europe Countries. SeeNet is perceived as useful and relevant in all the considered territories, particularly for its capacity to foster decentralisation, improve multi-level dynamics and increase the efficiency of local and regional authorities. SeeNet, through a process of knowledge transfer and exchange of best practices, might contribute to the strengthening of local and regional administrations in the management of current responsibilities and funds and in a future stronger access to EU funds. Moreover, the SeeNet programme is positively judged for the sustainable approach it advocates and implements and for the relevance and coherence of the SeeNet activities within the development perspectives of the involved territories. According to the case studies, another relevant strong point of the SeeNet project comes from its efforts to improve participation and communication among stakeholders and in building stronger partnerships between local authorities within South-East Europe⁶¹.

⁵⁸ For further information on this issue please refer to the report for Pejë/Peć (Kosovo) by Adrian Zeqiri.

⁵⁹ On the ethnic dimension of Western Balkan countries that are facing the europeanization process, please see: Shaw J. and Sticks I. (2010), *The Europeanisation of Citizenship in the Successor States of the former Yugoslavia: an introduction*, Working Paper 2010/01, Citsee Working Paper Series, University of Edinburgh; Shaw J. (2010), *The constitutional mosaic across the boundaries of the European Union: citizenship regimes in the new States of South Easter Europe*, Working Paper 2010/07, Citsee Working Paper Series, University of Edinburgh; Sarajlic E. (2010), *A citizenship beyond the nation state: Dilemmas of the Europeanization of Bosnia and Herzegovina*, Working Paper 2010/09, Citsee Working Paper Series, University of Edinburgh; Koska V. (2011), *The Evolution of the Croatian Citizenship regime: from independence to EU integration*, Working Paper 2011/15, Citsee Working Paper Series, University of Edinburgh.

⁶⁰ Camille A. Monteauz (2006), p. 180.

⁶¹ Although some actors claim a lack of concrete actions in the activities which have a mostly educative character, others appreciate exactly that co-existence of training and development for concrete initiatives which establishes a

In the analysis carried out by local researchers, the attention paid by local stakeholders to SeeNet opportunities is not seen only in terms of current projects but also as a platform for future cooperation. Some actors highlighted the opportunity to widen the territorial coverage of the SeeNet programme, involving new territories in the development perspectives, or to use SeeNet networks and projects in future partnerships in the IPA Adriatic programme. Horizontal networks might also be created among territories involved in different vertical actions of the SeeNet programme as they often share common problems that might be faced together. Overall, SeeNet offers, at present, and might offer, in the future, an exceptional platform for cooperation at local and regional levels between Italy and the Countries of the Western Balkans, to improve decentralisation and foster local development. Italian Regions and Local authorities could offer a key contribution towards a peaceful development of partner countries in the path towards European integration, avoiding the creation of new tensions and divisions and fostering a balanced development of the Adriatic area, eventually in the future framework for the Ionian-Adriatic Macro-region.

Given these general premises and considerations, the case studies offer an in-depth analysis of the territories. The analyses have been carried out with a specific focus on the topics of the SeeNet intervention, with regards to the extent, the effects and the perspective of the decentralisation process and with specific attention to each single territory.

sustainable chain of development in SeeNet. Other weaknesses of the programme were identified, by some of the stakeholders, as a lack of awareness of the project among some local administration and a relatively small amount of funds available for local partners.

Decentralisation, power of local self-government and multi-level dynamics in Shkodra Region

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SeeNet Programme

A trans-local network for the cooperation between Italy and South East Europe



EXECUTIVE SUMMARY

Albania is implementing a national strategy of decentralization and local autonomy, making significant progress in decentralisation, while aiming to achieve consistency with the principles of the European Charter of Local Self-Government of the Council of Europe (CoE). Key challenges of the decentralization process identified in the National Strategy for Development and Integration (NSDI) include: consolidation through implementation of the legal and regulatory framework in order to increase authority and autonomy of local government; fiscal decentralization; strengthening capacities of local government staff and the Regional Councils; transfer public utilities and public property to local government. The basic principles leading the division of responsibilities between the central and local government and between the levels of local government, is “securing the highest level of public service at a government level as close to the public as possible” or the principle of subsidiary. This implies the maximum effectiveness and efficiency in exercising the functions and providing the services and accountability to the public.

Since the year 2000, the decentralization process has been closely developed through respective legislation reform mainly aimed to decentralize function and responsibilities toward the Local Government Units (LGU). The Regional Development Cross-Cutting Strategy, approved in 2007, mainly aims at channelling existing funds into the system, by creating institutions to plan, allocate and manage these funds. In this context the County Partnership Council is a consultative structure following the National Partnership Council for Regional Development. The National Partnership Council for Regional Development is composed of government ministries, county and local government, the social partners and civil society while the County Partnership Councils brings together the same range of actors, but at county level.

The County Development Agency (CDA or Local Development Agency) is also a structure for managing the implementation of the county development strategy and action plan. The CDA supports the County Partnership Council of the region by assisting them with their work, undertaking research, facilitating consultations with local interest groups, preparing strategic documents and providing support in the implementation of the County Development Strategy. TEULEDA is the Local Economic Development Agency in Shkodra, founded as a non-profit NGO. It aims to contribute, in accordance with the powers of other institutions and in collaboration with them, in defining and implementing goals for economic development in the region of Shkodra.

Over the last few years, the Shkodra District, in compliance with the Cross-Sector Strategy of Regional Development of the Albanian Government and supported by the German Technical Cooperation (GTZ) GmbH, has been making major efforts to elaborate the current Shkodra Regional Development Concept. This shall serve as the main strategic document for the period 2010-2015.

The decentralization reforms have shown an increase in responsibilities for the local government as well as local autonomy for the financial allocation. Social development functions includes activities such as such as education, public health, traditions and culture, social development, minorities, civil society development, human rights and information. In areas such as traditions and culture, the local government units will have complete responsibility for their promotion through the support of local initiatives and activities, local cultural groups, etc. The local government units have administrative, service, investment and regulatory authority, through the respective local public institutions. In the area of education, health and social assistance, the local government units may play an important role, sharing the responsibilities with the central government, within the national policies defined by law.

Knowing that the decentralization of functions and competencies should be accompanied with the necessary funds to carry them out, the primary focus of Albanian Policies has been the consolidation of decentralization in the field of incomes and expenses for the improvement of LGUs

financing schemes. Municipalities and communes differ very much among themselves, different LGUs shows progress in local autonomy application with different level of ability, adding the lens of disparity between regions. While some big municipalities such as Shkodra are developing rapidly and are able to take up the devolved tasks, many small or remote communes lack the basic financial resources and professional capacities to deliver most basic services. It is important to develop capacity building programs to exercise the competencies and duties at a regional level. While the Government does allocate funds for each Region, the current main challenges for Shkoder Regional Council are to build capacities for absorbing future Regional Development funds through County Development Agency. For 2011, the Shkodra region can apply for a total funding of around 88,302,444 Albanian Lek (ALL) or 619,845.65 EUR (1 EUR = 142.459 ALL) for projects in the social field (health, education and tourism fields). It is also important to build capacities for planning, implementing and evaluating projects, to maintain EU funded infrastructure and sustain their use. Regional policy should concentrate on least prosperous regions as well as on contributing to achieving a more attractive place to live and work, more knowledge and innovation for growth, more and better jobs.

3. DECENTRALISATION: THE LEGAL/INSTITUTIONAL AND POLITICAL FRAMEWORK

The Constitution of the Republic of Albania and the Law No. 8652, “On the organization and functioning of Local Government” (31/07/2000), allow the elected bodies of local government units, local councils, to freely decide on the number and structure of the administration of the respective local government unit. .

Albania has three levels of governance: national, county (qark or region) and local (municipalities and communes). Directly elected bodies exist at central and local levels. Regional councils consist of delegated representatives from local units. Albania has initiated a decentralization process, where administrative, political and fiscal tasks, competences and resources are transferred to regions through LGU, municipalities and communes.

Since the year 2000, the decentralization process has been closely developed through respective legislation reforms mainly aimed at decentralising function and responsibilities toward the LGUs. The main important low acts to be in this process are:

- Law No. 8652(31/07/2000) “For organization and functionality of local government”
- Law No.8653(31/07/2000) "For administrative – territorial division of LGUs”
- Law No. 8654 (31/07/2000) "For organization and functionality of Tirana Municipality”
- Law No. 8743, (22/02/2001) "For government immovable properties”
- Law No. 8744, (22/02/2001) "For transferee of LGU immovable property”
- Law No. 8982, (12/12/2002) “For local small business tax”
- Law No. 9232, (13/05/2004) amended in law 9719, (23/04/2007) “For social programs of urban housing inhabitation”.

Local government units are challenged by this process, as their resources, capacities and competences are still limited. The basic principles leading to the division of responsibilities between the central and local government and between the levels of local government, are “securing the highest level of public service at a government level as close to the public as possible” or the principle of subsidiarity. This implies the maximal effectiveness and efficiency in exercising the functions and providing the services and accountability to the public.

Social development includes functions such as education, public health, traditions and culture, minorities, civil society development, human rights, information dissemination to population as well as between stakeholders. In areas such as traditions and culture, the local government units have responsibility for their promotion, carrying it out through the support of local initiatives and activities, local cultural groups, etc. The local government units play an important role, sharing the responsibilities with the central government in social services, within the national policies defined by law. The local government units have administrative, service and investment authority, and partial regulatory authority, within well-defined national policies and minimal standards of inputs and outputs.

The Regional Development Cross-Cutting Strategy, a strategy Approved by Decision Nr.773 dt.14.11.2007 of Council of Ministers - aims mainly at channelling existing (and future IPA regional development) funds into the system, through consultative and implementation structures. One of the Strategic objectives is setting in place an efficient management framework for regional development. This will be achieved through the elaboration of a new legal framework and the development of institutional structures to manage regional policy. The strategy introduces a series of new elements to Albanian policy in terms of strategic planning and policy:

- a single policy framework for socio-economic development of counties, taking into account the specific needs of qarks;
- a single socio-economic development programming document for the qark (the Regional Development Strategy);
- the concept of a regional development agreement, a multi-annual strategic, operational and financial plan setting out central government support for development priorities in each of the qark;
- the designation of disadvantaged areas for a period of five years, a government plan for the development of disadvantaged areas and a special budget line for special support schemes for both disadvantaged regions and disadvantaged communes and municipalities.

This strategy brings the framework of a political and legal broad-based platform for a stable development of regions, which shall prevent distorting and preferential policies in issues related to economic and social development of regions. The Regional Council of Shkodra, responsible for the definition and/or implementation of the strategy, comprises of 65 members. The Mayors of Communes and Municipalities are direct members of the Regional Council. In the whole of Albania, including Shkodra, it aims to be a political consensus on the exact manner in which the strategy should be implemented, on the institutional structures and the financing requirements in compliance with the Law enacted. In the framework of the Regional Development Cross-Cutting Strategy the County Partnership Council also operates. This is a consultative structure following the National Partnership Council for Regional Development. The National Partnership Council for Regional Development is composed of government ministries, county and local government, the social partners and civil society while the County Partnership Councils brings together the same range of actors – but at county not national level.

The regional development cross-cutting strategy has been adopted in Shkodra, but its concretisation and implementation in the social fields is considered to still be some way off as Albania's public services are still widely centralized. From the perspective of poverty reduction, Shkodra can hope for using instruments to catch-up part of the richer regions of Albania. So, referring to the feasibility study carried out by Swiss Cooperation and Austrian Development Cooperation⁶² the prefect of the region of Shkodra counts 52 de-concentrated institutions from line ministries to coordinate.

Over the last few years the Shkodra District, in compliance with the Cross-Sector Strategy of Regional Development of the Albanian Government, and supported by the German Technical

⁶² Supporting Regional Development in Northern Albania; Feasibility study for a joint program, commissioned by Swiss Cooperation and Austrian Development Cooperation; Feasibility Study, 23-2-2009

Cooperation (GTZ) GmbH, has been making major efforts to elaborate the current Shkodra Regional Development Concept. This shall serve as the main strategic document for the period 2010-2015. The National Guidelines provide the wider policy context and procedures for elaborating the County Development Strategy, also specifying the national and EU priority development themes. The work approach was based on other strategic documents from the region, starting from documents at the level of municipalities, region, and nation, up to the cross-border level. This is the main reference in monitoring the main and specific objectives of this strategy, through the project prioritized to be implemented within the year 2015. The analysis done by the Regional Council, as the main stakeholder leading this strategy from its design to its implementation, presents the details regarding the projects in the social service sector which has a very important role and focus in this strategy.

The County Development Agency (or Local Development Agency) is also a structure for managing the implementation of the county development strategy and action plan. The CDA supports the County Partnership Council of the region by assisting the County Partnership Councils in their work, undertaking research, facilitating consultations with local interest groups, preparing strategic documents and providing support in the implementation of the County Development Strategy. The County Council determines, based on its authority, whether the CDA should be based upon the existing Department of Programming and Development within the County Council structure, an already-established alternative structure at county level or a new structure. There are several options for the structure and nature of the CDA, but each will have to be formally accredited by the Government prior to its formal recognition as a CDA. The main factors that the Government will consider are whether: (a) it is the sole proposed vehicle for this purpose of the Regional Council in question; (b) it is operated on a not-for-profit basis; (c) it is the only such vehicle to be operated in the region in question; and (d) it meets any other accreditation criteria set by Ministry of Economic Trade and Energy. The County Development Agency in Shkodra Region is Teuleda, founded as a non-profit NGO. It aims to contribute in accordance with the powers of other institutions, and in collaboration with them, in defining and implementing goals for economic development in the region of Shkodra.

One of the driving factors for the political debate on regional policy is the EU integration process. Since there is a broad consensus that Albania should integrate into the EU system, the argument of adapting to EU standards is too often used – and sometimes misused in the political debate. The EU regional policy approach leaves substantial room for member states and candidate countries to define their own priorities of regional development. The instrument for pre-accession assistance (for candidate countries) as well as the structural and cohesion funds (for member states) financially supports activities to balance regional disparities, according to national strategic reference frameworks and a series of operational rules set by the EU. Absorption capacity to deliver on strategic planning, project management, maintenance of infrastructure, and sustaining public services will be a key factor for Albania. If additional funds (from the EU or other donors) for regional development are channelled into the system, regional and local capacities will have to be increased particularly in poor regions, with a view to absorb these funds at regional and local level.

Despite the stakeholder specific nature in their field of expertise, the local stakeholders have a common understanding and agreement for the regional development strategy and its action plan – to which they have been part of the consulting process. Also, there are considerable different perceptions among them. For example, due to the various stakeholders involved in tourism development, the only way for the Shkodra Region to succeed in developing more sustainable forms of tourism will mean all stakeholders in tourism working together. All stakeholders should have the opportunity to have the same level of knowledge and understanding of the issues. This may require that specific stakeholders be given opportunities for education on the topics that are to be addressed in the decision making process. Once everyone in the process has the same level of knowledge, decisions can be made based on the collective wisdom of all the stakeholders. The host community in the Shkodra Region needs to develop the concept of “fair trade” in tourism. This

implies a more direct role for communities and government in dealing directly with tourists rather than using intermediaries such as foreign tour operators who take a share of the benefits.

4. POWERS AND RESOURCES OF LOCAL SELF-GOVERNMENT UNITS

The Ministry of Interior, through the Deputy Minister for Decentralization and Local Governments, is the national institution in charge of coordinating the Decentralization Programme. Local coordination is provided by the participating Regional Working Groups (RWG) of the Shkoder Region, headed by the Regional Chairpersons who are elected from the council's members through a voting process; and integrated by representatives of the Municipalities and Communes, relevant central government sectorial directorates, universities and social interested stakeholders. They are responsible for defining, implementing - also assisted by the CDA - and monitoring the strategic projects, fostering the active participation of the population. They are also responsible for coordinating the different contributions from the international cooperation partners.

According to the Shkodra Regional Strategy: "Shkodra will be transformed into a district with high-level social and health services through sustainable development and social cohesion, which will contribute to a better quality of life for our citizens". The Shkodra Regional Action Plan for Regional Development until 2015 aims for social service to:

- Improve and consolidate the university level education, making it the Centre of Education in the North of Albania, as a key factor in developing the supply of educated working power through improvement of academic and professional education.
- Improve the public service infrastructure to support the sustainable development of the socio-economic aspect, harmonising it with the environment.
- Improve the health status of inhabitants aiming for a healthy life through improvement of sport premises and access to social and health care for the population.

Shkodra is a region targeted by a number of political, private and civil actors. In compliance with the National Strategy, the drafting of the Shkodra Regional Development action plan has involved a wide participation and broad consultations with a large variety of stakeholders. Through this process it is evident from the regional Development Working Group and Regional Council of Shkodra that *private sector participation should be higher in the process and increasing the dialogue*, but this kind of dialogue among the public-private sectors is completely new and *businesses are not yet clear about the benefits that the business sector can derive from this process*. Meanwhile, the participation of women results as satisfactory. Young people do also participate by being part of various project implementations in the region as well as during the special thematic workshops, from which they do obtain very valuable information.

A specific dimension of regional and local development is related to local finances. Decentralization reform has brought about a significant increase in responsibilities of local governments as well as financial autonomy but an uneven development of autonomy on revenues.

The Law No. 8652 (31/07/2000) on "Organisation and Functionality of the Local Government" and its recent amendments, transfers a series of exclusive, shared and delegated functions to municipalities and communes. The **Main exclusive functions** in social aspect are services with social, cultural and sportive focus:

- Preservation and development of local cultural and historical values; Organisation and administration of respective institutions.
- Organisation of sportive and leisure activities and administration of the respective institutions

- Social services and administration of institutions such as kindergarten, Care home for the Elderly , orphanages etc.

Shared functions of municipalities/communes with focus on social aspect include:

- School and pre-university services.
- Primary health care and public health.
- social assistance, poverty mitigation and guarantee the functionality of respective institutions

The transfer of responsibilities is not yet complete in some areas, but it does work with specific cases of authorization that the central authority might give to municipalities/communes for a specific function.

Financial resources transferred: The municipal/communal budgets are covered by central government grants and local revenues as following:

- State Budget (unconditional transfer, conditional transfer, competitive grants).
- Incomes from local taxes and tariffs (own incomes)
- Local Borrowing and inflows from foreign financing and donors

The unconditional grant covers about 50% of the local budgets. Based on the Law No. 10355, (02/12/2011), the unconditional transfer includes funds for actions and functions determined by sub laws and amendments. It is calculated according to various criteria and a formula which is subject to annual budget negotiations. This model made the government budget more transparent and predictable which helps the budget administration from the local officials significantly. One of the indicators to analyse the power of the self-government unit are the LGUs own income per capita, which defines the level of the LGUs financial (in) dependence. Equally important, transfers from central government are looked at as a factor potentially moderating regional disparities. The following table shows the trend of Unconditional Transferee (in local currency) for the Shkodra Region for the period 2008-2011.

	2008	2009	% of change	2010	% of change	2011	% of change
Malësi e Madhe	165,567.60	173,139	4.6	150,661	- 13	152,689	1.3
Pukë	186,635.90	197,508	5.8	171,692	- 13	177,959	3.6
Shkodër	681,270.60	726,193	6.6	643,626	- 11	662,535	3

Funds for the unconditional transfer for the Shkodra Region (as in all other regions in Albania) are approved by the Ministry of Finance (MF) and specified for each LGU (see annex 1). The LGU councils approve the annual budgets for their routine functions, expenditure, loans and project financing for investment.

Conditional grants are used to finance “shared” functions of municipalities/communes. For example: in compliance with the decentralisation policies for the sectors of primary health care and public health protection, the Law No. 9464, (28/12/2005) “On the 2006 state budget”, has allocated a special item in the budget of 12 regions for 2006: “Conditioned grant for construction and reconstruction of health centres for the primary health care service”. According to this item, the regional councils are responsible for the use of these funds for the investments in the territory of their municipalities/communes. The Ministry of Health determines and monitors the standards of this service.

For the Medium Term Budget Programming (PBA) 2011 – 2013, The Shkodra Region has already planned to finance, through government budget, the following:

- In the field of Primary Health Care, 112,112,000 ALL for the third phase of regional hospital reconstruction, including the treatment of mentally ill patients in this Region

- Accomplishment of 30% of equipment needs for the treatment of the hospital remnant during 2013 and 20 % of them in 2012 with a cost of 833, 82 (thousands) LEK
- Shkodra Municipality Hospital reconstruction 564,000 thousands LEK for the year 2011
- Opening a new branch for TIK in the agro-business and veterinary School in Bushat – Shkoder.

The conditional funds for economic assistance, financial support for people with disabilities and social care are administered by the Ministry of Work and Social Affairs (MWSA). With regards to the social care and poverty reduction, further improvement of the legislation framework has been made, in cooperation with MWSA, in such a way as to strengthen the competencies of LGUs for decentralisation on economic support and social services, i.e. the Minister Council's decisions of No. 658 "For the standards of social services" and 659 "For standards of children in the residential institutions". The national funds, allocated as conditional funds, are further distributed to the LGUs which evaluate, and carry out the payment for the social economic support for people with disability and social support. The funds for employment and services in the community are regarded as a priority by the LGUs. In order to finance the services for social care and other community work and services, the LGUs can also use their own local incomes. The region (Qark) administers specific social care centres in the region. There were 97 children in residential care centres in the Shkodra Region in 2005. That number rose to 102 the following year. Since then the numbers have risen significantly. The Table below shows the number of residential care centres.

Residential Centres in Shkoder

Private	Nr.	Public	Nr.
Rehabilitation centre for disabled people	1	Children's home (0 -3 yrs)	1
Care home for the Elderly	2	Children home (3-6 yrs)	1
Female counseling	1	Children home (6-14 yrs)	1
Legal Counseling and AID	1	Rehabilitation centre for disabled people	1
Family planning	1	Care home for the Elderly	1

Source: Ministry of Labour and Social Service, Strategy of Social Services 2005–2010

Competitive grants were introduced to finance small capital investments at local level, with regard to roads, water supplies, education and health. These funds are given from the state Budget through National Development Funds. The vast majority of financing for actions in the disadvantaged areas should come from sectoral strategies (including the municipality/commune competitive grant). The basis for calculating the grant seems to reflect, to some extent, the idea of balancing regional disadvantages and advantages, although there is no systematic assessment of the impact on the financial situation of municipalities and communes. For 2011, the Shkodra region can apply for total funding of around 88,302,444 ALL (8.7% of the national budget for Regional Development) for projects in social fields: 9,385,459 for health; 72,665,205 for education and 6,251,780 for the tourism field.

The main criterias used for the allocation of the total fund for the region are: population number of the region – (which counts for 35%); poverty level of the region – (which counts for 35%); the level of investment over the last four year in each respective sector – (which counts for 30%). The region has to apply with their project based on the forms and government requirements. (Decision No. 2, 11/03/2011 of the Regional Development Committee).

The fiscal decentralisation in Albania has progressed in the same line with the overall process of political and economic reforms, organization of the financial institutions, economic differences of regions and specific groups of population. Since 2006, municipalities/communes are allowed to collect property taxes on buildings and agriculture land, property transfer taxes, infrastructure impact tax, small business tax, simplified profits tax and vehicle tax. Law No. 9632, (30/10/2006) includes changes on the authority of local government to determine the business taxes by

plus/minus 30% and the benefits of this tax from the respective LGUs where the business is located. It also includes the right of the LGUs to collect and administer small business taxes. The Directorate of Finance and Budgeting in the Shkoder Region actually compiles the annual budget and follows its implementation during the year. It is in charge of making the analytic plan according to economical and financial analysis of the year.

In general, the potential of local revenues has not been fully exploited, and it tends to privilege municipalities and communes with a certain economic potential. While some big municipalities are developing rapidly and are able to take up the devolved tasks, many small or remote communes lack the basic financial resources and professional capacities to deliver the most basic services. The differences among municipalities and communes seem significant and this might contribute further to the widening of the gap between the regions with regard to economic and social development potentials. The table below shows the 33 LGUs of the Shkodra region distributed according to their average own income per capita as compared with the national average. There are 15 Shkodra Region LGUs categorized in the lowest level of average own income, while there is no LGUS from the Shkodra Region belonging to the group with more than 6143 average own income per capita. The average own income per capita for the whole region is 2392 ALL.

Average Own Income	>9828	6143-9827	4914-6142	3686-4913	2457-3685	1229-2456	491-1228	<490	Total
Shkodra									
2392		2	3	3	3	7	15	33	
Albania									
4914	10	16	13	26	46	98	88	77	374

Source: Ministry of Finance, INSTAT, Own Calculations

Following the above argument of disparities among the LGUs in the Shkodra Region, the following Communes show the differences between LGUs in the number of families benefiting from social assistance.

	No. of families (C)	Total families in the commune (D)	C/D %	% over the beneficiary communes
Shkoder Municipality	4,907	33,814	15%	30 %
Postribe	1,063	3,418	31%	6 %
Shale	800	2,013	40%	5 %

While having a brief picture over the situation as well as referring to the various analysis in regional development, the RD typology of Shkoder (socio-economic development and competitive aspects) is defined to be Medium developed (middle rank) RD index (92), close to the national average.

5. MULTI-LEVEL DYNAMICS

The national process of Regional Development aims at addressing regional disparity, primarily by making the sectoral investments and activities of the line ministries respond to regional disparities in a coherent regional approach. This process, as formulated in the strategy, has been the subject of extensive consultation with key local and international stakeholders. Based on regional

development crosscutting strategy, which was formulated under the UNDP consultancy and implemented by the leading agency the Ministry of Economy, Trade and Energy, the Institutional Framework for Regional Development include:

- **The National Partnership Council for Regional Development:** bringing together government ministries, county and local government, social partners and civil society.
- **The Regional Partnership Councils:** bringing together the same range of actors – but at county not national level.
- **The Department for Integrated Regional Development:** a much expanded department Within the Ministry of Economy Trade and Energy (METE) necessary for the management of Albania's regional policy and for the future implementation of EU regional policy.
- **The Regional Development Agency:** a structure for managing the implementation of the regional development strategy and action plan for each region.

These structures are under the process of consolidation through the ongoing process of national and regional institutional development.

Additional support from the central budget is foreseen to cover a proportion of the establishment and operational costs of the Regional Partnership Council and the Regional Development Agency.

Local governments are organised in three national Associations: the Albanian Association of Municipalities, the Albanian Association of Communes, and the Albanian Association of Region. The associations seem to play a growing role in bringing the views of municipalities/communes into the political debate and are increasingly successful in influencing political decisions on decentralization issues at central level. However, they complain about lacking the capacities and the limited interest of local governments in joining forces for political lobbying: For influencing political decision-making in their favor, mayors and heads of communes still seem to prefer direct and personal links to central power holders.

To manage the coordination process, the four leading multilateral donors (UNDP, EC, WB, and OSCE) formed the Donor Technical Secretariat (DTS), and the EC as the largest donor became the permanent Head of the DTS. As of December 2005, the Department for Strategy and Donor Coordination (DSDC) was established within the PM's office with responsibility for the NSDI (National Strategy for Development and Integration), the Integrated Planning System (IPS), and aid coordination. Since its creation, this Department has been the counterpart of the Donor Technical Secretariat DTS.

One of the driving factors on regional policy is the EU integration process. Firstly, the perspective of accessing additional EU funds in the pre-accession phase and as a future member provides important incentives and clearly triggers political and economic reform. In its current status as a potential candidate, the Financial Agreements have been signed for Albania for component 2-Regional and cross-border cooperation. This component is particularly relevant for Northern Albania, but the funds available are relatively limited (2.8 M. Euros for 2008-2010). Under the component of regional and cross-border cooperation LGUs are foreseen as beneficiaries. This gives the possibility to municipalities/communes, as well as qarks, to apply for funds for realizing projects corresponding to the spelled out criteria.

Like in other regions, absorption capacity for IPA funds is lacking in Shkoder. This currently stands as one of the main challenges for the LGUs of Shkodra. While it is important to develop the technical management capacities on how to plan, implement and evaluate concrete projects, there is also a more general need for developing the responsible institutions and procedures, with a view to make project funded investments sustainable, use them properly and maintain infrastructure and improve services. *It is still important to develop capacity building programs at a regional level in a way to enable the staff to plan and set development priorities. It is also important to build capacities for planning, implementing and evaluating projects, to maintain EU funded*

infrastructure and sustain their use. Regional policy must concentrate on the least prosperous regions as well as on contributing to a more attractive place to live and work, more knowledge and innovation for growth, more and better jobs.

The “Donor Architecture” of Albania is led by regular Quarterly Donor-Government Roundtables chaired by the Deputy Prime Minister. Investment in the social sectors has been funded in roughly equal proportions from domestic and external sources. *External assistance has a relatively low level of support for social development and will need to be increased in future programming.* It is evident that external assistance in Shkodra is focused more on local economic development than education and health, the latter led more strongly from USAID and SWISS cooperation projects as well as UNDP with the program of achieving MDG.

The basic **education sector** strategy aims to guarantee a modern national education system. The transfer of competencies has been carried out in compliance with the Decision of Council of Ministers (DCM) No. 632, (04/10/2004), “On the approval of the document for decentralization policies in pre-university education”. The national action plan for the immediate implementation and piloting of the decentralization reform in this area has been designed, for the transfer of competencies to the local government, regarding the ownership of pre-university education buildings, their preservation, maintenance and funding, the planning and implementation of investment funds, reconstructions and materials, the improvement of curricula, the non-educational personnel, the administration of dormitories, the assignment of scholarships for students, the monitoring of the educational institutions’ performance, the participation in school boards. The Ministry of Education and Science establishes the standards and, in collaboration with the Ministry of Finance and Ministry of Interior, monitor and assesses throughout the year, the implementation of standards and investment budget in the area of pre-school, primary and secondary education in the region. The assessment results influence the planning and allocation of the conditioned grant for local government units in the next fiscal year. Key challenges for the sector are the *improvement of the quality of teaching; the strengthening of school autonomy; the improvement of governance in service provision; the introduction of accountability in the system; the participation of the community and all interested groups and an increase in transparency.* For the all level of education the local government units may play an important role, sharing the responsibilities with the central government, within the national policies defined by law. The local government units can have administrative, service and investment authority, and partial regulatory authority, within well-defined national policies and minimal standards of inputs and outputs.

The key priority areas to be supported by donors over the medium term period in Shkodra should include support on:

- management capacity to improve governance focusing on the scheme of responsibility and accountability across institutions, down to the level of individual jobs;
- monitoring the implementation of the regional decentralization strategy at primary and secondary schools;
- construction and reconstruction of schools with a special focus at pre-university education levels;
- improve the quality of the teaching and learning process;
- improving the efficiency of education financing schemes aiming at an increased share of financial support by the local government;
- expanding the provision of pre-school education based on the preschool and contextual models through national model programmes; delivery of early childhood services to vulnerable groups and building new kindergarten;
- continuous support to open vocational training centres.

The following table shows in term of statistics the estimation of needs for infrastructure improvement on education system as presented from the Shkodra Region municipality.

	Existing	Average Number per commune	Need	Project
Kindergarten	135	4.09	100	38
Primary school	81	2.45	18	8
9 year education school	214	6.48	24	11
High school	42	1.27	10	7
Total	472		152	64

Public health: Donors' investments in public health have been significantly limited in terms of financial support. The main donor supporting family planning activities is the USAID, with Italy, Germany and Norway also providing support in health promotion and working with youth. Technical assistance support is also given by UNICEF and UNFPA. Key challenge is to create a health system that is capable of offering an easily accessible basic health service, of acceptable quality and efficiently delivered. This requires donor support for initiatives to improve the access of vulnerable groups (including women, children and the disabled) to health services. Key strategic priorities of the health sector to be supported by donors remain the following:

- strengthening the capacity of the regional health structure to develop policies, strategies and planning;
- improving consolidation of regional health system management financing;
- entitling and empowering people to receive health care when necessary, moving towards the payment of health contributions by all and focus on responsiveness to citizens.

The existing legal framework, Council of Ministers Decree No. 636, (2004) "For approval of decentralization policies in the field of primary health care and protection of public health" and derived acts, do regulate and harmonize the platform of decentralization functions, powers and resources. In the primary health care and public health protection: Central level, Ministry of Health (MoH) remains the major funder and provider of health care services and continues to retain the leading role in the administration and management of health care delivery. Government sanitary inspections are the responsibility of the MoH. The MoH runs vertical interventions in national programmes, such as child vaccination, reproductive health, epidemiological surveillance, HIV/AIDS, and the national programme against tuberculosis. The regional local directories are accountable to the MoH. Local authorities are directly responsible for public health issues such as waste disposal, drinking-water supplies and some forms of environmental protection. These programmes are implemented with the help of health centres and health posts as well as promotional campaigns (e.g., against HIV/AIDS) at the national and local levels.

The private health sector plays an important role with regards to drug distribution and dentistry services.

According to a special Government decision of 2006, the definition of "Health Centre" is: the main unit of PHC system which should offer an essential package of services for the community living on the area it covers.

Health care for children (0 - 14 years) in the HC is offered through health promotion, prevention services (supporting physical and psychological development, immunization, counselling, feeding) and curative services according to the respective operating guidelines.

Integrated health care for women in the HC covers prevention, promotion, medical treatment, and rehabilitation. Reproductive health (RH) is a state of complete physical, mental and social well-being, and not merely the absence of reproductive disease or infirmity. Reproductive health deals with the reproductive processes, functions and system at all stages of life. RH care services include:

prenatal care, postnatal care (mother and child), family planning (FP), breast and cervical carcinoma prevention, reproductive and sexual health, prevention and management of sexually transmitted infections (STI) and care for abused victims.

In 2007, for the first time in Albania, HCs are functioning as non profit public juridical entities, not financed by the state budget, but with an individual bank account and including all the network of health care providers under its responsibility. This status gives the HC the power to self manage its own human and financial resources, thus aiming to increase the quality of medical services provided in the area it operates, and to continue improving the quality of service in the future to provide high quality, integrated, continuous and accessible healthcare services to the community. In Shkoder, a quantitative analyses shows that an HC's manager spends 50% of his/her time with clinical work. The other 50% is spent on management-related aspects (13% of time is spent with HC's micro management, approximately 8% is spent with leadership, communication and negotiation issues). 6% of the time is spent on general planning and management, human resources management, quality management and information system management. Nearly 5% of their time is spent on financial management. Focus group discussions in Shkodra show that there are difficulties and challenges HC's managers are facing while meeting their responsibilities.

Health planning: Even though health barely appears explicitly as a part of the *acquis communautaire* requirements for the EU, there are a number of chapters that include issues with an impact on the health system like employment, institutional frameworks, service delivery in child protection, education services, etc. Therefore, the health sector will benefit through operations of the IPA in the above areas. Policy reforms in the areas of health finance and governance continue to be supported under the ongoing programmes of WB, Italy, Switzerland, UNAIDS and US, most of which still have several years to run. Planned projects for the future include new projects from the US and Sweden and from the UN, but these are considered relatively modest, compared to ongoing commitments. With regards to infrastructure the following table shows the needs identified in the Shkodra Region.

	Actual 2008	Average No. commune	No. inhabitant/No. Health Centres	Needs	Projects
Health Centres	192	5.82	1,754	91	43
Hospitals	11	0.33	30,609	14	6
Total	203		1,659	105	49

Employment: In this field, Government investment has been limited. The most significant challenges ahead are: the strengthening of local employment offices capacities (a structure embedded to each qark and LGUs level) and reinforcing their abilities to play an effective intermediary role between the labour market and the labour force; improvement and unification of working methods through structures; improvement of contacts with enterprises and development of partnerships; use of information technology to improve the quality of employment service.

Investment in aspects as important as health and safety or in the work of the State Inspectorate of Labour has also been very limited. Switzerland has provided projects to help with health and safety area. Several other *donors' projects involved in broader economic development* matters, such as Italy, USA, Germany and Sweden, have been active in supporting efforts to reduce the informal labour market. The International Organisation for Migration (IOM) and Italy have been involved in the consolidation of regional employment service programmes (trainings on migration services, setting up offices at these centres, equipments, etc). In this regards some initiatives are carried out also at sub-national level. For example the titled "Building pathways for tourism cooperation through developing handicraft products" project was awarded under an IPA CBC program. It started the implementation, on the 1st of February 2011, through the partnership implementers

constituting of: Regional Council of **Shkodra**; Albanian Artisans Association; NGO Montenegro Chamber of Skilled Crafts and Entrepreneurship.

The *technical support* is focused mainly in two directions: Capacity building of LGU administration in Shkodra on implementing EU projects within the framework of IPA Cross Border Cooperation programme; Methodological support for planning, activity implementation and reporting as well as financial management due to the EU proceedings. Key areas where future external assistance could be targeted include:

- capacity building at regional employment offices for design of employment promotion programmes;
- support for employment programmes for vulnerable groups, notably the disabled, women, and the Roma;
- institutional support to the Inspectorate of Labour to strengthen legislation on health and safety at work in line with European Union directives and increase its cooperation with the tax and customs administration and other state agencies to fight against informality;
- support vocational training system reforms, including the opening of new vocational schools and centres, curriculum modernisation, and Institutional development.

In the context of implementing projects to mitigate unemployment, the Regional Council of Shkodra has opened, attached to the employment office, the migration office which offers assistance and information on employment, social care, professional education, social service, health service, investment, civil registration and Reintegration procedures to migrants.

Gender: is seen as a cross-cutting issue in the implementation of the Decentralization Process. The main framework to which the Region policies are based on for this issue is the National strategy on gender Equality and domestic violence 2007- 2010 (the Strategy of 2011-2015 is in the drafting process at the Ministry of Labour and Social Affair - MOLSA). The strategy aims to achieve gender equality in Albania through mainstreaming the gender perspective into all aspects of the policies developed and applied. Furthermore, in all activities programmed under IPA, equal opportunities and non-discrimination with regards to gender have to be reflected.

MOLSAE, National Service of Employment, National Social Insurance, National Inspectorate of Work and National Administration of Social Service are the main central authorities which, through the local structure of their Ministries in the Region and the Regional Council, have to ensure and monitor the implementation of Strategy for Equality and Domestic Violence. Various Ministries besides MOLSAE are involved in the implementation of the NSDI priorities for gender equality and the eradication of domestic violence. Six donors' projects, from the UN, Austria, Italy, and UNDP also provide financial support. UNDP and Austria have supported women in decision-making processes. Three projects led by UNFPA support the department of Public Health emphasis on issues related to women health and equality. Four projects, Italy, Netherlands, Norway, and Spain, provide support to the Department of Labour with a focus on women's employment and emancipation. In addition, many donors provide other support for different aspects of gender equality, either as part of broader programmes or through NGOs, e.g. Sweden, Austria, UNIFEM, Italy, Netherlands. Donor support will be important in the key challenge ahead by: enabling women to be able to take part in an equal way in decision making, have equal rights in schooling, employment, free and equal access to all public services, and enjoy the results of their labour. It is essential that whoever is affected by domestic violence has access to information on means of protection through criminal and civil legislation, health counselling and social support, that early signs of violence are treated and prevented, and that perpetrators of violence are answerable to the law for their actions.

6. CONCLUSIONS

The local government units play an important role, sharing the responsibilities with the central government, within the national policies defined by law. The new Regional Development Cross-cutting Strategy is, as its own Strategic objective, setting in place an efficient management framework for regional development and introducing a series of new elements to Albanian policy in terms of strategic planning and policy. Regional development is adding a new dimension; it is complementary to the existing institutional framework based on de-concentration and decentralisation. The decentralization reforms have brought about an increase in responsibilities for the local government as well as local autonomy for the financial allocation, but the implementation speed from local autonomy for local incomes is not as evident.

Municipalities and communes differ very much among themselves. While some big municipalities are developing rapidly and are able to take up the devolved tasks, many small or remote communes lack the basic financial resources and professional capacities to deliver most basic services. The difference in capacities of local institutions contributes to a decrease in the quality of life of people and further hampers the poor communes' competitiveness in attracting small and medium enterprises. The differences among municipalities and communes seem to be growing in a kind of vicious circle, contributing considerably to the widening gap between the regions with regard to economic and social development potentials.

Even though the Local Government regulates and coordinates the participation and the role of different stakeholders based on the local strategic plan, it still does need to provide more assistance in this aspect. However, planned external assistance has a relatively low level of support for social development and will need to be increased in future programming to support activities to balance regional disparities, according to national strategic reference frameworks and according to a series of operational rules set by the EU. The IPA is intended as a flexible instrument and therefore provides assistance which depends on the progress made by the beneficiary countries and their needs as shown in the Commission's evaluations and annual strategy papers.

Absorption capacity to deliver on strategic planning, managing projects, and capacity to maintain and sustain public services and investments will be crucial for accessing EU funds. Capacities at a regional level are almost in a sufficient number but not qualified and skilled for the tasks the regions are going to perform. Local Government does recognize the need for further assistance in the social planning, where the SeeNet program can give valuable assistance in capacity and strengthening of structure capacity building. One of the main problematic issues facing the Municipality of Shkodra Region is how to increase efficiency by using the public financial resources based on the legal framework, as well as using and combining project donor resources in compliance with its objectives and public spending rules.

Even though the Local Government regulates and coordinates the participation and the role of different stakeholders based on the local strategic plan, it does still need help in providing more assistance in the social field. In the Shkodra Region, while NGOs and civil society representatives seem to be active, there are open issues on the involvement of the business community actors in the process of region development through common interests. The LG staff in Shkodra does state that more should be done to increase the private sector participation as a development actor and make it more inclusive in the initiatives presented and/or discussed in various forums or structures of LGUs in Shkodra Region. The Local government does recognize a limited number of programs designed to carry out the evaluation and assess the community satisfaction or expectation. This would increase the ability of the LGUs, through partner's cooperation, to hear the community voice and needs.

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ANNEX A: SWOT, CONSOLIDATED ANALYSIS FOR SHKODRA COUNTY

Strengths

Tradition, culture

Tradition in education, culture and sport.
Strong historical and cultural relations with the western countries of the Adriatic zone.
Traces of ancient history in a lot of areas of the county.
Strong social and family identity.
The good tradition of artisanship all around the county.

Human resources

An increasing population and predominantly of young age.
About 65 % of work force is under 65 years old.
Relatively good qualified human resources.
A community which is adopted and flexible towards positive changes.
Good social harmony.
Labour force at a low cost

Social Care

Presence of social care institution in almost all populated area of the county

Governance

Strategic plans prepared by the Shkodra Lezha region, Shkodra county and the major municipalities and in some communes
Increasing funds from the central government for investments in the whole county territory
Increasing financial capacity of the local governments to allow for local borrowing for capital investments
Increasing awareness of the population to pay taxes and fees and abide by the law

Health

Good conditions of the health service facilities to allow good service to most of the population
Presence of hospitals and health centres in all the county territory

Education

Presence of the university and various education centres, public and private
The education facilities are in good conditions to provide normal education service to most of the population

Tourism

Great potentials for the development of water, cultural, historic, panoramic, mountain, intensive and family tourism
Valuable potentials for the construction of tourist ports in the Shkodra lake and Velipoja Beach

Weaknesses

Human resources

Low capacity of farmers to take advantage from central government subventions
Continuous migration from rural towards the urban areas
Farmers' community do not protect the agricultural land very much
Weak engagement of the community in public works and initiatives

Governance

Lack of complete regulatory plans and process connected to them, and weak enforcement of legislation for land use
Abilities of public administration do not meet the levels required by the dynamics of development of business community
Lack of clear fiscal policies of local governments in supporting of new businesses' start up
Inadequate knowledge of local governments to compile projects according to EU standards
Unfinished process of registering of public properties owned by local governments and poor documentation of urban cadastre
Weak control of local governments within their administrative territory
Low level of local revenue collection, mainly from taxes and fees, in the majority of local governments
Very few studies on development potentials and economic, social and environmental trends
Weak financial capacities, particularly of local governments in north and north-east of the country
Poor coordination of strategies, resources and planning between governmental agencies themselves and between them and other local and foreign stakeholders
Poor administration and quite often abuse of natural resources
Uncoordinated system of collection and elaboration of data at country level
Poor and unstructured data of government agencies concerning human, natural and economic resources of the country

Education

Low turn out / frequenting of pre-school institutions as well as obligatory education schools in the mountainous areas
Poor infrastructure and financial support for cultural, education, professional training and sport institutions in rural areas

Opportunities

Governance

Strengthening of policies and increase of governmental subversions for agriculture and livestock businesses
Priorities of central government in investing in revitalising and reconstructing Balkan road networks that pass through the country as well as in electronic communication networks
Increase of competencies of local government

Tourism

Increasing the interest of tourists to visiting the country

Threats

Governance

Weak financial motivation for the public administration
Inadequate transfer of funds and trainings that go along with the transfer of competencies at the local government level
Incomplete legislation for solving the land property issues
Low speed of transferring public properties
Small amounts of funds to support the marginalized groups

ANNEX B: THE UNCONDITIONAL BUDGET TRANSFERRED TO EACH LGU OF SHKODRA REGION

Region	District	Commune/ Municipality	Commune/ Municipality	Years			
				2008	2009	2010	2011
Shkodër	Malësi e Madhe	Gruemirë	C	35979.69	36,591	31,004	31,004
Shkodër	Malësi e Madhe	Kastrat	C	26838.5	27,470	23,962	24,249
Shkodër	Malësi e Madhe	Kelmend	C	24894.47	27,957	25,417	26,510
Shkodër	Malësi e Madhe	Koplik	M	34054.09	35,757	31,191	31,565
Shkodër	Malësi e Madhe	Qendër	C	19001.44	19,324	16,374	16,374
Shkodër	Malësi e Madhe	Shkrelë	C	24799.46	26,039	22,714	22,987
Shkodër	Pukë	Blerim	C	14523.96	14,949	12,667	12,667
Shkodër	Pukë	Fierzë	C	13223.11	13,448	11,394	12,894
Shkodër	Pukë	Fushë-Arrëz	M	23754.74	24,159	20,470	20,470
Shkodër	Pukë	Gjegjan	C	24195.25	24,607	20,849	20,849
Shkodër	Pukë	Iballë	C	19235.59	19,950	16,904	16,904
Shkodër	Pukë	Pukë	M	27547.57	33,925	32,464	34,904
Shkodër	Pukë	Qafë-Mali	C	16758.07	17,596	15,000	15,103
Shkodër	Pukë	Qelëz	C	13062.64	13,285	11,256	11,756
Shkodër	Pukë	Qerret	C	20321.45	21,338	18,613	18,836
Shkodër	Pukë	Rrapë	C	14013.54	14,252	12,076	13,576
Shkodër	Shkodër	Ana e Malit	C	13134.83	13,358	11,364	11,487
Shkodër	Shkodër	Bërdicë	C	20255.04	20,599	17,454	17,454
Shkodër	Shkodër	Bushat	C	45405.3	46,210	40,309	41,805
Shkodër	Shkodër	Dajç (Bregbune)	C	18937.85	19,260	16,321	16,517
Shkodër	Shkodër	Gur i Zi	C	26393.29	26,842	22,743	22,743
Shkodër	Shkodër	Hajmel	C	14578.24	14,826	12,562	12,562
Shkodër	Shkodër	Postribë	C	39229.61	39,897	33,804	33,804
Shkodër	Shkodër	Pult	C	15773.82	16,563	14,447	14,621
Shkodër	Shkodër	Rrethinat	C	50468.38	51,326	43,489	43,489
Shkodër	Shkodër	Shalë	C	20002.23	21,002	17,795	17,795
Shkodër	Shkodër	Shllak	C	11398.2	11,968	10,440	10,565
Shkodër	Shkodër	Shosh	C	11023.45	11,361	9,626	9,626
Shkodër	Shkodër	Temal	C	11721.46	12,308	10,736	10,865
Shkodër	Shkodër	Vau i Dejës	M	41056.4	41,831	36,489	36,927
Shkodër	Shkodër	Velipojë	C	18411.49	18,724	15,865	16,056
Shkodër	Shkodër	Vig-Mnelë	C	13527.2	13,757	11,656	11,656
Shkodër	Shkodër	Shkodër	M	309953.8	346,361	318,524	334,563

Decentralisation, power of local self-government and multi-level dynamics in Travnik Municipality

Think Tank Popolari of Sarajevo
Assignment done under the CeSPI guidance

Second report

June 2011

SeeNet Programme
A trans-local network for the cooperation between Italy and South East Europe



EXECUTIVE SUMMARY

Bosnia and Herzegovina (BiH) was made into a decentralized state in 1995. The rationale of the Dayton Peace Agreement included compromises that emphasised the protection of its three ethnic groups. This resulted in the creation of the political setting which prevented any ethnic group from dominating the decision-making process. Hence, equal representation was given to the three ‘constituent groups’ in the country. The first part of this report elaborates on the negative consequences of post-war decentralization and on efforts made towards centralization. The international community played an important role in the process of stabilization; this involvement included the formation of the post-war legal and institutional framework. Since Dayton, several changes have occurred to reverse decentralization in favour of single centralized bodies. These moves to centralize institutions in BiH have enabled improvements in efficiency and the strengthening of national unity, and represent positive policy reversals since the Dayton Agreement.

The second section of the report reveals more about the power and resources of the stakeholders interviewed. The stakeholders could be divided in two groups: governmental and non-governmental actors. Governmental actors experience two problems: First, they have huge issues when it comes to funding, and as a result their future development depends heavily on the aid they receive from international donors. Secondly, all claimed that they have weak coordination with other administrative bodies. The non-governmental sector described almost non-existent support for the local authorities. However, we came to the conclusion that besides these problems, some local business owners are actively developing mountain tourism on Vlašić, with personal investments at their disposal. In the coming years they will need help from the outside, however there is potential for the local community to become self-sufficient in the sector of mountain tourism in the future.

Analysis of multi-level dynamics in the third part showed us that problems such as lack of communication among stakeholders, poor infrastructure on Vlašić and mines existing on the mountain pose setbacks for tourism development. Also, local stakeholders possess some financial capacities, and there is a certain level of cooperation among them with various ideas for the future development of the mountain resort. This SeeNet project will be a welcome addition to current offerings on the mountain, because it would diversify sport-recreational facilities, link authorities to the local community and could be easily connected to other similar projects to further expand development on the mountain.

1. DECENTRALISATION: THE LEGAL/INSTITUTIONAL AND POLITICAL FRAMEWORK

The 1995 Dayton Peace Agreement⁶³ brought an end to the violence in BiH that ravaged the country since 1992. However, the agreement included compromises which outlined the major steps towards the decentralization seen today. From Dayton, BiH was split into two entities; the Republika Srpska (RS) which holds a Bosnian Serb majority; and the Federation of Bosnia-Herzegovina (FBiH)⁶⁴ which is mostly comprised of Bosniaks and Bosnian Croats. Additionally, Brčko District, located in the

⁶³ Office of the High Representative and EU Special Representative, “General Framework Agreement,” *OHR*, December 14 1995, <http://www.ohr.int/dpa/default.asp?content_id=379>.

⁶⁴ “The General Framework Agreement for Peace in Bosnia and Herzegovina,” Articles I, III and Annex 2, December 14, 1995.

northeastern of BiH, is a self-governing administrative unit, under the sovereignty of BiH. This district is formally part of both entities and there is no significant ethnic majority present on its territory⁶⁵. To prevent any ethnic group from dominating the decision-making process, equal representation was given to the three 'constituent groups' in the country.⁶⁶ Decentralization and power-sharing were two main principles which underpinned the effectiveness of the central state-level power. Few capacities were assigned to the state government, such as foreign policy, refugee return, trade and customs, whereas most responsibilities were delegated to the entity level⁶⁷. The two entities were provided with responsibilities such as collection of taxes, property rights and agriculture. Decentralization and power sharing agreements enable each entity to have its own government, police force and educational system.

In FBiH, further decentralization was imposed by the constitution of FBiH and the international community, causing division of the entity into cantons, and further division into municipalities⁶⁸. This is not the case in RS where there is no cantonal level and more centralization. Including the federal level this provides four layers of bureaucratic authority which proves problematic for coordination and local development. In the administrative sense, the federal structure created confusion in the division of competences, expensive administrative sector and lack of coordination among the administrative bodies. This type of decentralization continuously causes many important decisions at all administrative levels to result in deadlock and inefficiency.⁶⁹ Further elaborated, "With 160 government ministers and a bloated public sector that gobbles up nearly half of the country's GDP, the framework is tailor-made for those who wish to stoke ethnic antagonisms for political gain."⁷⁰ Indeed, in BiH in general and FBiH in particular, further decentralization is not an issue; rather there is a need to strengthen capacities and communication between decentralized layers.⁷¹ As seen in the fieldwork, this lack of coordination also causes major problems in our case study of the Travnik Municipality⁷² within the Central Bosnian Canton, located within the FBiH.

The attention of the international community to stabilize the country resulted in the high level of internal security, facilitated a widespread return of refugees and displaced persons and created conditions for modest levels of economic growth. The country's constitution included provision for joint political institutions and a high degree of power-sharing practices, which also left BiH highly

⁶⁵ Office of the High Representative and EU Special Representative, "General Framework Agreement "History and Mandate of the OHR North/Brcko," *OHR*, August 28 2001, <http://www.ohr.int/ohr-offices/brcko/history/default.asp?content_id=553>.

⁶⁶ The power-sharing system which was institutionalized is based on the ethnic and regional quotas in the structures of the administrative institutions. This was done in order to maintain the protection of vital ethnic interest and to prevent the possible ethnic discrimination.

⁶⁷ Office of the High Representative and EU Special Representative, "General Framework Agreement," *OHR*, December 14 1995, <http://www.ohr.int/dpa/default.asp?content_id=379>.

⁶⁸ "Constitution of Federation of Bosnia and Herzegovina," Article II, June 24 1994, <www.ohr.int/ohr-dept/legal/oth-legist/doc/fbih-constitution.doc>.

⁶⁹ Patrice C. McMahon and Jon Western, "The Death of Dayton: How to stop Bosnia from falling apart?" *Foreign Affairs* 88, no. 5 (September/October 2009): 70-71.

⁷⁰ Patrice C. McMahon and Jon Western, "The Death of Dayton: How to stop Bosnia from falling apart?" *Foreign Affairs* 88, no. 5 (September/October 2009): 73.

⁷¹ Capacities and communication in the FBiH need to be strengthened on all levels; between federation and cantons, as well as between cantons and municipalities. Vertical process of subsidiarity is not working in the FBiH because a lot of the competences that should be managed by the FBiH were given to cantons. However, cantons never transferred the necessary competences to the municipalities and/or cities. Also, if we observe state level, Dayton gave competences that should be managed by the state to the entities which considerably weakened the effectiveness of the state in general.

⁷² Interview 8: Amira Đelilbašić, Assistant Mayor for Development and Economy, Municipality of Travnik, April 1 2011, Travnik.

dependent on the international community, and an international High Representative responsible for overseeing the complicated administrative divisions. In practice, numerous top-down and bottom-up mechanisms were adopted to build its legal and institutional frameworks.

Since Dayton, several changes have occurred to reverse decentralization in favor of single centralized bodies. For example, the Bosnian army⁷³ was unified in 2005⁷⁴ out of the two armies of the entities, RS and FBiH. In addition, several other public institutions in BiH have been centralized in recent years, such as the State Investigation and Protection Agency (SIPA)⁷⁵, the BiH border police⁷⁶, the Ministry of Defense⁷⁷ and the Agency for Identification Documents, Registers and Data Exchange (IDDEEA)⁷⁸. These moves to centralize institutions in BiH have enabled improvements in efficiency and the strengthening of national unity, and represent positive policy reversals since the Dayton Agreement.

The 2010 general election results for the Central Bosnia Canton Assembly were the following: HDZ BiH 21,73%, SDP BiH 17, 84%, SDA 17, 33 %, SBB 12, 99 %, Coalition HDZ 1990 - HSP BIH 7, 06%, SBiH 7, 05% and remaining parties combined 16%.⁷⁹ However, since November 2010 the cantonal government was not formed due to the Bosniak-Bosnian Croat political crises that resulted when the electoral results were announced in October 2010. At the moment, neither Bosniaks nor Bosnian Croats are ready to compromise and find the solutions to solve this crisis on national or federal levels; this of course has a direct impact on the situation in cantons with a multi-ethnic character-Central Bosnia being one of them. Generally, Bosnian Croat political parties (HDZ BiH and HDZ 1990) support further decentralization, following the principle of creating territorial units with ethnic majority. However, HSP BIH, Bosniak political parties (SDA, SBB and SBiH) and multi-ethnic SDP BiH are not opposed to decentralization, as long as it does not stipulate further ethnic division of the country.

By the end of 1996, 17 different foreign governments, 18 United Nations agencies, 27 intergovernmental organizations, and about 200 NGOs -not to mention tens of thousands of troops from across the globe- were involved in reconstruction efforts⁸⁰. Nevertheless, in the last several years the role of the international community is slowly being substituted by the stronger involvement of the European Union (EU). The EU became the main engine for Bosnian stabilization and reconstruction. For example, the international community decided to transfer the international peacekeeping mission from the NATO-led Stabilization Force to a smaller, weaker EU-led mission, EUFOR. This trend was followed in the sphere of socio-economic issues.

BiH is currently a potential candidate country for future EU accession, and signed both the Stabilization and Association Agreement (SAA) and Interim Agreement on Trade and Trade-related

⁷³ "Defence White Paper of Bosnia and Herzegovina," *Military Education Research Library Network*, June 2005, <http://merln.ndu.edu/whitepapers/Bosnia_English-2005.pdf>.

⁷⁴ "Defence White Paper of Bosnia and Herzegovina," *Military Education Research Library Network*, June 2005, <http://merln.ndu.edu/whitepapers/Bosnia_English-2005.pdf>.

⁷⁵ "About us," *State Investigation and Protection Agency*, April 5 2011, <<http://sipa.gov.ba/en/onama.php>>.

⁷⁶ "About us," *BiH Border Police*, March 22 2011, <<http://www.granpol.gov.ba/o-nama/?cid=15,1,1>>.

⁷⁷ "About us," *Ministry of Defence of BiH*, January 7 2011, <<http://www.mod.gov.ba/en/>>.

⁷⁸ "About us," *Agency for Identification Documents, Registers and Data Exchange*, March 29 2011, <http://www.iddeea.gov.ba/en_index.php>.

⁷⁹ Bosnia and Herzegovina Central Election Commission. "Established Results of the 2010 General Elections: Central Bosnia Canton," October 18, 2010, <<http://izbori.ba/WebModule/SkupstineKantone/Nivo.aspx>>.

⁸⁰ Patrice C. McMahon and Jon Western, "The Death of Dayton: How to stop Bosnia from falling apart?" *Foreign Affairs* 88, no. 5 (September/October 2009): 70-71.

Issues on June 16, 2008⁸¹. International responsibility for BiH is trying to be shifted away from the Office of the High Representative (OHR)⁸² towards the EU Special Representative. However, in the past the EU has stated that BiH cannot apply for full membership until the OHR in BiH has been closed⁸³, an unlikely prospect in the near future. On November 8, 2010 citizens of BiH had visa liberalization for Schengen countries⁸⁴ which provided a positive step towards European integration. Negotiations also began in 2010 for BiH accession to NATO. Citizens in BiH generally feel that EU accession will increase political stability, trade, competition, foreign investment, and regard for social policies, as well as provide a better quality of life to citizens, concerning safety, employment, health, education, and information. Concerning decentralization processes specifically, projects like SeeNet utilize foreign governments' funds to strengthen local governments. Such investments show the value placed on strengthening local administrative levels in order to strengthen the state as a whole. The EU supports the current administrative layout of BiH, and the autonomy given to the entities. It is the lack of cooperation and synchronization between entity laws and regulations, as well as between the cantonal and entity in the FBiH, that is seen as a problem for the future BiH EU accession process.

With their programs, the EU would like to reshuffle institutions to some extent so there could be coherent and standardized regional structure in BiH. The EU is centralizing some of the institutions, so that decentralized components in Bosnian state-setting could function better. Although some positive steps have been made, full European integration remains in the distant future.

With regards to the specific situation in Vlačić⁸⁵, financial support from donors has mostly been from large international aid organisations such as United States Agency for International Development (USAID) and Swedish International Development Cooperation Agency (SIDA)⁸⁶; NGOs such as SNV (Netherlands Development Organization); international agencies such as United Nations Development Programme; and private companies such as GFA (German consultancy group)⁸⁷. For example the Municipality of Travnik is currently following an EU project to cut CO2 emission by 20% in 10 years supported by GTZ⁸⁸ (Deutsche Gesellschaft für Internationale Zusammenarbeit) and GFA. In addition, SNV is a large partner in the area, focusing on strengthening municipality infrastructure and improving the efficiency of companies performing communal services⁸⁹. There are also further plans to increase financial support and cooperation between SNV, the municipality and Big International (UK) in

⁸¹ SAA will enter into force once ratification process is complete, predicted for 2011 (found at <http://www.europa.ba/files/docs/publications/en/SAP_en.pdf>; Interim Agreement on Trade found at <http://www.europa.ba/files/docs/publications/en/Interim_Agreement_en.pdf>).

⁸² Responsible for implementing the Dayton Peace Agreement and currently headed by Valentin Inzko as joint High Representative and EU Special Representative. See General Framework Agreement for Peace in Bosnia and Herzegovina (1995) Article V, Annex 10.

⁸³ General Affairs Council of the Council of Europe, Conclusions on Enlargement/Stabilisation and Association Process, Brussels: Progress Report, 7-8 December 2009.

⁸⁴ The Justice and Home Affairs Council of the EU unanimously adopted the Commission Proposal of 27th May 2010 to abolish visa restrictions for the citizens of Albania and BiH to the EU, <http://www.esiweb.org/pdf/schengen_white_list_project_COMM_PDF_COM_2010_0256_F_EN_PROPOSITION_DE_REGLEMENT.pdf>.

⁸⁵ Excluding any municipality, canton, entity and federal funding.

⁸⁶ Currently running FARMA project <<http://www.bosniafarma.ba/en/>> focusing on dairy production on Vlačić; see Interview 15: Elvedin Mehić, EKO Vlačić, Dairy Production Technologist, April 2 2011, Vlačić.

⁸⁷ Interview 4: Nisveta Topalović, Senior Advisor for the Projects of Municipality of Travnik, March 31 2011, Travnik.

⁸⁸ "International Services", GTZ, April 13 2011, <<http://www.gtz.de/en/index2.htm>>.

⁸⁹ Interview 8: Amira Đelilbašić, Assistant Mayor for Development and Economy, Municipality of Travnik, April 1 2011, Travnik.

constructing a water supply line between 5 municipalities in the region. Donors to the region are therefore supporting decentralisation by involving and focusing on local actors and the municipality. The canton has its own touristic association⁹⁰ which is well connected with all the municipalities. This association works towards preservation and promotion of natural and historical heritage within the canton. Besides the canton, the most important local tourism developers are the local inhabitants, and more precisely the owners of various businesses that provide touristic services. Restaurants, hotels, and owners of other touristic offerings work individually or collaborate⁹¹ to invest and promote the touristic capacity of the municipality, since they do not have strong support from the local authorities.

NGO involvement is paramount to the strengthening of interaction between decentralised bodies such as the municipality and local actors; yet, this is hindered by a lack of legal clarification⁹² regarding public-private partnerships.⁹³ There are also differing opinions as to whether improved communication and coordination between municipalities and cantons have occurred since 2004⁹⁴. Where improved interaction is perceived to occur it is largely driven by international actors. Indeed, NGO and international donor insistence on using local actors in their projects has provided impetus for change and has enabled some improvements in NGO access to the canton and municipality, as seen with Vlašić Planet Života, a Bosnian NGO based in Travnik.⁹⁵ However, this improved access appears to be unfelt by some locals⁹⁶. There are two possible explanations for this: First, the few examples of public-private partnerships were not projects of a large scale. Secondly, mountain tourism is not yet well developed in the region, and currently is not a substantial part of local economy. The municipal development strategy document indicated that they plan to develop stronger, local and international partnerships in order to attract investment in the following fields: agricultural production, development of water supply infrastructure, industry and upgrade of transport infrastructure.⁹⁷

Despite this, empowerment of local groups and improved communication with the municipality has occurred in specific projects, for example the local mountain rescue (Gorska Služba), a community-run civic initiative supported by (but not run by) the municipality government⁹⁸. In addition, the Association of Agricultural Producers of Central Bosnia Canton has 276 members consisting largely of farmers, with educational training provided by EU, SIDA and USAID on how to maintain EU

⁹⁰ The association is a public body established by the Ministry for Tourism of Central Bosnian Canton, however they have very strong cooperation with municipalities and private business sector. Besides the office in Travnik they have a promotional office on Mount Vlašić. The main goal of this office is to promote touristic initiatives and capacities of canton, municipalities and private sector.

⁹¹ For example there is an organization called Team Vlašić. They are the association of the citizens and entrepreneurs which promotes private touristic initiative on mountain. On their website you can find information about the hotels, activities on the mountain, weather forecast, etc.

⁹² DLA Piper, a global law firm, describes BiH's public-private partnerships as 'The Law on Public Procurement provides that government bodies can be contracting parties in procurement procedures, hence, there is no particular set of rules which applies to government bodies that are different from rules applicable to private or public legal entities. The concept of the Public-Private Partnership (PPP) is still a relative novelty in this country and few PPP projects exist. However, efforts are being made in order to promote the significance and relevance of PPP projects in the country's development.' <http://www.dlapiperrealworld.com/country_profile/country-display?queries_country_query=Bosnia-Herzegovina&queries_contact_query=profile_page>.

⁹³ From interview 8: Amira Đelilbašić, Assistant Mayor for Development and Economy, Municipality of Travnik, April 1 2011, Travnik.

⁹⁴ Interview 1: Nezir Aganović, Association of Agricultural Producers of Central Bosnia Canton, March 30 2011, Travnik.

⁹⁵ Interview 3: Samer Dolovac, NGO Vlašić Planet Earth, March 30 2011, Travnik

⁹⁶ Interview 12: Haris Huisienović, Receptionist Hotel Pahuljica, April 12011, Babanovac.

⁹⁷ 2010-2015 Municipality of Travnik Development Strategy (Blueprint document).

⁹⁸ Meeting 3: Samer Dolovac, NGO Vlašić Planet Earth, March 30 2011, Travnik.

standards when producing local products, strengthening the relative position of local actors in the canton.⁹⁹ Several suggestions have been made regarding improvements of decentralisation, including the need to strengthen rural development in general and the importance of the education of all parties involved in the process¹⁰⁰. Decentralisation in Travnik and the FBiH is therefore a complex issue, imposed by Dayton and hindering to development as competencies are not clearly defined or coordinated; however NGO involvement with local actors results in improving communication and coordination between decentralised bodies.

2. POWERS AND RESOURCES OF LOCAL SELF-GOVERNMENT UNITS

As noted in the first section, the level of decentralization is high in BiH and felt not just on state, entity and cantonal levels but also in the local society. The cantons are comprised of municipalities. A canton or a county has its own government headed by the Premier. The Premier has his own cabinet, and is assisted in his duties by various cantonal ministries, agencies, and cantonal or county services. So, the administrative setting of a canton is practically mimicking the administrative setting of the FBiH. The cantons serve as the second-level units of local autonomy. The third-level units of local autonomy are the municipalities. They are the smallest administrative units in the country which are in charge of local self-governance. There is a high degree of autonomy between canton and municipality, but municipalities are still dependant on cantons when it comes to issues like budget and regulatory plan. The representatives on different levels are elected in two processes: general elections (state, entity and canton) and local elections (municipalities). Competences on tourism in FBiH are divided among entity, canton and municipality. When it comes to the territorial development in FBiH the canton has legal leverage, but still municipalities are able to conduct certain territorial development projects.

In regards to the Central Bosnia Canton, the cantonal government election has been postponed¹⁰¹ because of political controversies. Officials in the canton are waiting for the government to form and do not seem to be very motivated as these administrative matters are sorted out¹⁰². Because of this political delay, funding provisions to certain civil society associations, for example the Association of Agricultural Producers of Central Bosnia Canton, are also postponed¹⁰³. But even if there is not such a delay, their small budgets suggest that they cannot be of much help to NGOs, as Elvedin Mehić of EKO Vlašić, a food production company, stated¹⁰⁴. For example, the canton and the municipality agreed to be founders of CEBEDA, a civil society association, but never provided any material or financial support¹⁰⁵. The Ministry of Tourism of the canton has 4 workers, all of whom have university degrees, preparing them to work in this sector. Nevertheless, they believe they do not have the capacities to develop tourism. Instead, they suggest a transfer of power to the municipality because the

⁹⁹ Interview 1: Nezir Aganović, Association of Agricultural Producers of Central Bosnia Canton, March 30 2011, Travnik.

¹⁰⁰ Interview 10: Imelda Šormaz, Assistant Mayor of Agriculture and Forestry, Ministry of Forestry, Central Bosnia Canton, April 1 2011, Travnik.

¹⁰¹ Interview 1: Nezir Aganović, Association of Agricultural Producers of Central Bosnia Canton, March 30 2011, Travnik.

¹⁰² Interview 9: Dubravko Milanović, Assistant Mayor for Trade and Tourism, Ministry for Tourism, Central Bosnian Canton, April 1 2011, Travnik.

¹⁰³ Interview 1: Nezir Aganović, Association of Agricultural Producers of Central Bosnia Canton, March 30 2011, Travnik.

¹⁰⁴ Interview 15: Elvedin Mehić, EKO Vlašić, Dairy Production Technologist, April 2 2011 Vlašić.

¹⁰⁵ Interview 7: Miroslav Radoš. Director of CEBEDA, March 31 2011, Travnik.

municipality has more capacities for such development¹⁰⁶. The canton has its own development strategy which includes a tourism development strategy document¹⁰⁷.

Similar to officials in the canton, employees of the municipality of Travnik are also waiting for higher levels of government to form¹⁰⁸ and according to Gordan Zec, Assistant Mayor for Urbanization in the Municipality of Travnik, the municipality has a small budget as they receive little funding from the Federation and Canton¹⁰⁹. Gordan stated that his department received the necessary equipment to function properly (computers, etc) and to build capacity from international organizations like USAID and SIDA. There are 108 employees in the municipality government, 40 of whom have university degrees¹¹⁰. Although the current number of university degrees seems low, this percentage has almost doubled since the end of the war.¹¹¹ Their expertise on tourism specifically is very limited, however in the last several years it has improved. Municipal authorities started to exchange experiences and to learn from their partners, one positive example being cooperation with the Region of Piedmont and GTZ. Also, they established good relations with local NGOs, such as Vlašić Planet Života, that possess a high level of expertise in the development of mountain tourism.

Sport Recreational Center (SRC) Vlašić was managing the entire mountain resort in the past; however, today, it is only in charge of taking care of communal services on the mountain after many privatization efforts¹¹². They have 7 employees plus 3-4 seasonal workers. As Sifet Dervić, Acting Director of SRC Vlašić suggested, when it came to power and resources for development on the mountain, the private sector surpassed the public sector a long time ago¹¹³. Ozon Company manages the ski slopes and vertical transport on Mount Vlašić. It is one of the best-placed enterprises in winter tourism in the municipality and experienced significant growth in post-war Bosnia and Herzegovina¹¹⁴. Ozon bought SRC in late 2010, winning the case over privatization in Cantonal Court. The municipality, however, has filed a complaint over the court decision which has not yet been resolved.

FIS Vlašić is another private business whose owner has a very active role in the development of mountain tourism in Mount Vlašić. It employs over 2,500 people in BiH and is accustomed to working without the assistance of public local bodies. FIS developed a resort on Mount Vlašić, and thus has experience in building roads, lights and water systems. It also owns 2 small ski lifts, an outdoor swimming pool, an artificial lake, a conference room as well as other facilities.

¹⁰⁶ Interview 9: Dubravko Milanović, Assistant Mayor for Trade and Tourism, Ministry for Tourism, Central Bosnian Canton, April 1 2011, Travnik.

¹⁰⁷ The essence of this strategy is to promote touristic potential and the capacities of the municipalities that are on the territory of the canton. The canton has the authority to create and implement policies on tourism, develop touristic resources, determine touristic taxes, promote and monitor the state of tourism.

¹⁰⁸ Interview 8: Amira Đelibašić, Assistant Mayor for Development and Economy, Municipality of Travnik, April 1 2011, Travnik.

¹⁰⁹ Interview 5: Gordan Zec, Assistant Mayor for Urbanization, Municipality of Travnik, March 31 2011, Travnik.

¹¹⁰ Interview 8: Amira Đelibašić, Assistant Mayor for Development and Economy, Municipality of Travnik, April 1 2011, Travnik.

¹¹¹ Interview 8: Amira Đelibašić, Assistant Mayor for Development and Economy, Municipality of Travnik, April 1 2011, Travnik.

¹¹² Interview 2: Sifet Dervić, Acting Director of Sport Recreational Center (SRC) Vlašić, March 30 2011, Travnik.

¹¹³ Interview 2: Sifet Dervić, Acting Director of Sport Recreational Center (SRC) Vlašić, March 30 2011, Travnik.

¹¹⁴ First report for the Municipality of Travnik - SeeNet Programme: A trans-local network for the cooperation between Italy and South East Europe. We tried to arrange an interview with them to acquire more information but they were extremely busy during our visit due to an unexpected incident.

The Faculty for Management and Tourism of the University of Travnik receives funding from the Federal government. It publishes an academic journal once a year and has just organized a seminar concerning how to raise the quality of the tourism sector in BiH. Although not involved so far, their expertise in tourism in BiH could be consulted for a project like SeeNet. At the moment the university has not conducted any specific study about the mountain, however the Dean told us that they are planning to devote more time and resources in developing such a study about Vlašić. All the civil societies mentioned above have either the ability to mobilize people or have expertise related to the project, and their contribution could be influential to this project. Laws are in place to regulate various matters when it comes to the development of the mountain tourism and both the canton and municipality developed standards and rules linked to urban development. However, the biggest problem is the implementation of these regulations. The Majority of the people do not enforce and respect them; one example is the problem of illegal construction on the mountain – although municipal zoning regulations are in place on paper, people are still building illegally and the municipality admits that the current inspection processes are not adequate.¹¹⁵ Many of the stakeholders interviewed said that it is an issue that needs to be resolved in the coming future. Without proper enforcement from local authorities people continue to act irresponsibly, undermining the current state of urbanization on the mountain. The municipality has a system that is designed to prevent illegal construction, however more money, expertise and human resources should be invested in this sector so it can function efficiently and effectively.

It is worth mentioning that since the end of the war, the role of local civil society organizations has increased in the municipality of Travnik. It is important to note that almost all initiatives for local development were supported financially by international donors, who are still the main donors for some of them today. National entity and cantonal governments were not heavily involved in the mountain tourism sector. As several representatives expressed during our interviews, the communication between them and local governing authorities has improved in the last five years. Together with international organizations such as EU, USAID, SNV, SIDA and GTZ, they are working on projects which strengthen the role of the local community in the Travnik municipality. Additionally, cantonal and municipal employers told us that the level and intensity of communication between them and the NGO sector has risen. They have regular meetings where they meet with NGO sectors and consult on the present and future local development initiatives. After all, NGO and local business owners are the main force and investors on mountain.

With regards to the specific SeeNet intervention, strengths and weaknesses can be identified. Mount Vlašić is lacking sport and recreational facilities, so the SeeNet Nordic Ski Track will definitely enrich the touristic offerings of this mountain. Another strength of the project is that its facilities could be used in summer, which will contribute to the development of summer tourism on the mountain, a sector which is currently practically non-existent. Lastly, SeeNet project offers a lot of opportunities for the involvement of the local community, as seen by the fact that local NGOs and business owners are already planning several other projects which could link to the track. Also, when the track is completed, somebody will need to manage it, meaning that new workplaces would be available. Lack of coordination and communication between canton, municipality and local society could have negative consequences when it comes to the future management of the Nordic ski track. Since these three parties do not have an established solid channel of communication, the management and the promotion of the SeeNet track will not be done to the full potential. This means that fewer tourists are going to come and use the track. Secondly, as we found in our interviews, another significant problem is illegal construction. At this moment, the municipality together with the canton attempts to prevent

¹¹⁵ Interview 5: Gordan Zec, Assistant Mayor for Urbanization, Municipality of Travnik, March 31 2011, Travnik.

this by issuing a regulatory plan for the area. Nonetheless, the system is not working well enough to prevent people from building illegally. Finally, the track in addition to the rest of the holiday resort will need proper infrastructure to be built. Currently, the situation is desperate as more paved roads¹¹⁶ are needed on the mountain and many more public lights need to be installed. Only the center of Babanovac which is the main center of Mount Vlašić, has some development while other parts are only partially covered with the infrastructure.

The majority of the stakeholders found the SeeNet project to be extremely useful. They were all happy that somebody started investing in the sport recreational facilities on the mountain, because after the war the majority of the investments that were made were in the property development segment. For example, local business owner Mr. Gudelj, who owns property very close to the potential SeeNet track, said that this encouraged him to invest more in that property because the SeeNet track has a potential to attract additional tourists to Mount Vlašić. He plans to build one hotel, a concert hall and 12 sport fields (for tennis, basketball and soccer). Samer Dolovac, the president of local NGO, told us that he has already secured funds from Sarajevo Tobacco Factory to construct a network of walking paths around the SeeNet track. Amer Ćorić, manager of the Hotel Pahuljica said that the local community should form a Nordic ski club in order to promote the sport on the mountain. He also mentioned that there is the intention of a local organization called Adventure Team Babanovac to include the track in their touristic offerings. However, there are three big concerns regarding the project: It is still not determined who and how this project is going to be managed, which especially worries local business owners, as they could invest in the track or become involved in the future. The trend of illegal building is blossoming on the mountain and there is a possibility that it could spread one day to the territory surrounding the track. The lack of proper infrastructure will undermine the true potential of this project because it is simply harder for tourists to approach and spend their leisure time on the track.

3. MULTI-LEVEL DYNAMICS

The highly decentralized nature of FBiH, involving four layers of authority from federal to municipality, is capable of causing overlapping, confusion, and a lack systematic organization or interaction between decentralized actors and different levels of government¹¹⁷. Besides local institutions it would be impossible not to mention the OHR, which is not directly involved in the topic that we are covering, but has a strong influence in Bosnian politics. The Dayton Agreement provides the legal basis for the OHR. Its Annex 10 provides the institution of the OHR to oversee the civilian implementation of the agreement.

In FBiH further decentralization is not the issue, rather there is a need to strengthen coordination and communication between decentralized layers. Problems associated with overt decentralization have been seen in Travnik where the municipal level has strained contact, bordering on a feeling of hindrance, with the canton and other higher levels¹¹⁸. Moreover, the Bosniak-Bosnian Croat political deadlock paralyzed the formation of the cantonal government. This has left cantonal administration in the state of transition since November 2010 which does not give it a lot of credibility. This also blocked

¹¹⁶ In FBiH the Road Directorate of FBiH is in charge of highways and main road infrastructure, while the canton is in charge of regional and municipality of local roads.

¹¹⁷ Interview 5: Gordan Zec, Assistant Mayor for Urbanization, Municipality of Travnik, March 31 2011, Travnik.

¹¹⁸ Interview 5: Gordan Zec, Assistant Mayor for Urbanization, Municipality of Travnik, March 31 2011, Travnik.

its cooperation with local sector, because nobody knows exactly when the new government is going to be in place.

When it comes to the development of mountain tourism, responsibility lies within federal and cantonal ministries concerned with tourism. We have seen that the cantonal ministry for tourism does not have enough resources and capacities to invest in mountain tourism development. However, it has the authority to regulate, promote and control. For example, they regulate by imposing taxes, promote through the tourist association office, and control through inspection. On the other hand, municipality is trying to find funding from international sources, since its budget is not sufficient to cover mountain tourism. Federal ministry is helping, providing additional funds and technical assistance to both the canton and municipality from time to time, but this help is not adequate. Furthermore, there is a huge problem in the communication between all levels of government. A lack of communication results in a lack of coordination which has negative effects on the socio-economical development of the municipality. Because of this, the initiative for mountain tourism development lies strictly in the local community. They are the ones who have invested the biggest resources since the end of the war. Local business owners repaired ski lifts, built sport fields and introduced mountain bike tourism on Vlašić. Also, when it comes to the future, most of them together with their NGO partners are working on development of future projects which would additionally enrich and diversify touristic offerings.

However there is some interaction between different levels of authority and local community present in the Municipality of Travnik. The flow of interaction is better than it was five years ago, but it is still far from satisfactory. Furthermore, we must note that the majority of the initiatives that strengthen interaction between the two were stimulated by the international organization, which in some sense, made them as the main powerbroker. Interaction depends on sector to sector, and in the case of mountain tourism the interaction is in its early stages. For example, a project like SeeNet did a lot to improve the communication among the stakeholders. Together with the Italian partners from Piedmont, municipal authorities consulted with canton and Travnik-based NGOs regarding the project.

Decentralization is perceived differently by the stakeholders that were interviewed. Cantonal authorities think that they should have more employees and financial resources. They claim that this would improve their effectiveness and make them less dependent on FBiH and more effective in their own canton. Municipal authorities perceive decentralization as a trend that will bring more legislative and financial power to the municipality. Local business owners think that they should have more contact with the municipality when it comes to the development of mountain tourism business initiatives and at this moment they feel isolated and missing the support of their local authority. NGOs state that they would need to increase the number of members as well as their financial resources in order to be more influential in everyday life; this is their vision of decentralization.

Strong and weak stakeholders can be identified in the territory. Strong stakeholders are: Cantons, Municipalities, FIS, Vlašić Planet Života, Ozon, and Association of Agricultural Producers of Central Bosnia Canton. Weak stakeholders are: Eko Vlašić, Faculty for Management and Tourism, Team Vlašić, Hotel Pahuljica, CEBEDA, and Sport Recreational Center.

Strong and Weak Stakeholders, as identified through fieldwork interviews

STRONGER STAKEHOLDERS	Canton , as the second-level units of local autonomy in FBiH	Municipality , as the main actor in local development, implementer of the project	FIS , possesses visionary ideas for development and solid financial resources	VPŽ , a devoted local NGO, whose efforts were mentioned in all interviews, highly regarded.	Ozon , which controls ski lifts and communal services on Babanovac, the most developed part of the mountain	AAPCBC , 200 farmers are members, making it the strongest representation of the agricultural sector
WEAKER STAKEHOLDERS	FMT , limited academic research on the development of tourism in the municipality	Team Vlašić , an NGO that is conducting a few important projects with limited resources/impact	Hotel Pahuljica , one of few hotels working all year	CEBEDA , an association for economic development facing bankruptcy	SRC , once had responsibility, but suffered effects of privatization since the war, now only controlling communal services	

The SeeNet Nordic ski track is not in a good location owing to proximity to active mine fields¹¹⁹, small scale of the track and isolation, which would cause problems for farmers who would be unable to easily transport goods to the area. Although most people are supportive of the SeeNet Nordic ski track, some locals suggested a different location should be chosen to increase its length to 16km on the other side of the mountain where the scenery is better¹²⁰. However, the municipality argues only one area nearby has mines and it is marked with plans to completely de-mine the area¹²¹.

It is also crucial to determine management of the Nordic ski track, and the main actors should be SRC, Municipality, Canton, and those who invested from the private sector¹²². The assistant mayor has stated the responsibility for the Nordic ski track should go to SRC Vlašić, appealing the cantonal decision to privatise it.¹²³ The Dean of the Faculty for Management and Tourism approves of SeeNet project¹²⁴ but notes problems of small budget and global warming, which means less snow for winter sports. Although no official statistics exist, media coverage reports¹²⁵ on the reduction of snowfall in recent years, and this was repeated during interviews with stakeholders when expressing need for summer tourism development.

The SeeNet project should facilitate positive interaction and integration among local residents and business leaders, NGOs working in the area, Travnik Municipality and the Central Bosnian Canton. The purpose of the project is very flexible and wide ranging which means that all of them could

¹¹⁹ Interview 1: Nezir Aganović, Association of Agricultural Producers of Central Bosnia Canton, March 30 2011, Travnik.

¹²⁰ Interview 14: Sead and Emina Šalac, Farma i Pansion Šalac, April 1 2011, Babanovac.

¹²¹ Interview 4: Nisveta Topalović, Senior Advisor for the Projects of Municipality of Travnik, March 31 2011, Travnik.

¹²² Interview 2: Sifet Dervić, Acting Director of Sport Recreational Center (SRC) Vlašić, March 30 2011, Travnik.

¹²³ Interview 8: Amira Đelilbašić, Assistant Mayor for Development and Economy, Municipality of Travnik, April 1 2011, Travnik.

¹²⁴ Interview 6: Dr. Rasim Dacić, Dean of Faculty for Management and Tourism, University of Travnik, March 31 2011, Travnik.

¹²⁵ "Very Bad Winter Tourism Season in BiH" *Radio Sarajevo*, March 17, 2011 <http://www.radiosarajevo.ba/novost/47608/veoma-losa-zimska-turisticka-sezona-u-bih>

somehow contribute to its development and benefit as such. When the project is completed, SRC and Ozon could manage it. Canton could promote it through its touristic association office. Local agricultural producers would be able to sell products to the tourists that use the track. The same tourists are going to sleep in hotels located on Babanovac. Besides, the track people are going to also use pedestrian pathways that Vlašić Planet Života plans to construct and maybe some of them will spend time on the sport field that might be constructed in the future by FIS. Through this imaginary example, the local community could benefit a great deal from the SeeNet track and its potential. In general it is hoped the SeeNet project will attract more tourists and boost the local economy¹²⁶, providing positive steps for the development of the region. SeeNet presents a perfect opportunity for non-governmental and governmental sectors to work together on development of mountain tourism. It is a project which was initially developed by the municipality and its foreign partners, but could also include the local community in two scenarios. First, local NGOs could develop simultaneous projects that could complement SeeNet, for example, the walking path project. Additionally when the track is completed, the municipality would need to hire somebody to manage it and there are several local stakeholders qualified to conduct this operation. This type of project and similar initiatives in the future could stimulate interactions between the many stakeholders.

4. CONCLUSIONS

Since the last reporting period 5 months ago, the Nordic Ski track project on Mount Vlašić is progressing, and more stakeholders seemed familiar with the plans. The municipality explained that an architectural firm has already submitted designs, which are being reviewed and amended. By the end of April 2011, the designs should be finalized and a public call issued for a construction company to build the track and the surrounding infrastructure. In late May, the municipality will choose the best offer, and construction should start at the beginning of June. The budget planned for the project has all the financing necessary for the sustainability of the investment and tourists can begin using the track in December 2012.

The majority of the stakeholders interviewed are enthusiastic about the SeeNet efforts, which will enrich the diversity of offerings on Mt. Vlasic. Even in the early stages, the SeeNet plan is already encouraging other development ideas from locals, such as a walking path around the track, nearby sports fields, and *katunas*/huts to sell local products to future tourists. The most excited are the local business owners, currently most active in tourism development on the mountain. Although the climate change meant less snow this winter, many noted the track's potential for summer as a tourism mountain bike course.

Despite the generally positive feedback, many expressed concern over the same few issues, such as who will manage the track. Also, communication between the government and non-governmental sector or even between the canton and municipality is very weak. Illegal construction continues to pose problems, and although the canton and municipality are making attempts, it is difficult to regulate or to address illegal buildings already in place. Some tourists will worry about the risk of mines, although locals claim the affected area nearby is well marked and not very close to the SeeNet track. The biggest problem, however, is the lack of the development of infrastructure on the mountain, which is at risk of

¹²⁶ Interview 15: Elvedin Mehić, EKO Vlašić, Dairy Production Technologist, April 2 2011, Vlašić.

falling behind tourism development. Currently, many roads are nonexistent or not paved, and there are very few public lights currently on the mountain.

In conclusion, the municipality expressed satisfaction over relations with the Piedmont Region, while handling the budget and planning. Mt. Vlačić has many resources, both natural resources and in the enthusiasm of many local business owners, but unfortunately there is a lack of communication among all stakeholders. BiH is awaiting government formation since the general elections last October, and this period of uncertainty is affecting the work of the canton and other administrative levels. Decentralization, with the current administrative structure in BiH, causes a lack of coordination on all political levels, and this location is no exception.

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Decentralisation, power of local self-government and multi-level dynamics in Trebinje Municipality

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Second report

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SeeNet Programme

A trans-local network for the cooperation between Italy and South East Europe



TO DECENTRALISE, OR NOT TO DECENTRALISE: THAT IS THE QUESTION

EXECUTIVE SUMMARY

The local government system in B&H (B&H) is oriented toward the middle level of state organization. It should be noted that the current administrative structure of B&H was not established by normal evolution and development but by the Dayton Peace Agreement in 1995. This multilayered, complex and complicated structure is the main reason why many, supposedly, tend to see the country as decentralized. Seen from the central level, B&H is excessively decentralized, while seen from the local level, it is a matter of intolerable centralization of competence, power and resources.

The law on local self-governance in the Republic of Srpska (2004) makes a distinction between municipalities and cities, but still accords them the same responsibilities. Almost one hundred laws, beside the Law on local self-governance in the Republika Srpska, regulate the work of the municipal administration. Not surprisingly, the current financial position of municipalities is weak. However, experiences with donor fund absorption are limited, even though many municipalities do implement (i.e. are beneficiaries in) donor-funded projects.

Selected territory – Trebinje Municipality – is one of 62 municipalities in the Republic of Srpska, having same competences over local issues. Beside local administration set within 7 departments and employing 165 officers, the local government has some competences over social protection, local fire department, communal police, primary health, elementary/secondary education and some shared competencies with upper level. All other functions are deconcentrated entity functions at local level that are attached to the RS Government and certain ministries. The current revenues of municipal budgets are enough to cover operational expenses and certain local investments without the possibility to devote a certain share in local and regional development. The donor funds are used only in certain cases, but primarily as part of some greater international initiatives. The current infrastructure for absorption of EU funds in the municipality of Trebinje is very questionable.

The Decentralization process is still at the beginning in the case of the Republic of Srpska and there are no proper interactions between the subjects according to the conducted research. The main stakeholders that are pushing for more decentralization are local government representatives (mayors and local assembly representatives), political parties that are in opposition to the RS Government and that have some representatives in local government units, the RS Association of municipalities and cities, international organizations and local business elite that are close to local government representatives. On the other side, opposition to decentralization is seen in the RS Government, the ruling political coalition at the entity level, certain representatives from ministries and public administration, and business elite close to the upper level government.

Rural development and rural tourism, as the focus of SeeNet activities on the selected territories, could provide some new “windows of opportunities” but only if the RS Government implement planed policies within the RS Local Self-Government Development strategy and the RS Rural Development Strategy. The SeeNet program could provide the selected territories better access to EU funds, stronger partnerships between local authorities within South-East Europe, and improved local administration

that will certainly have a positive impact on forthcoming decentralization in the Republic of Srpska and B&H.

1. DECENTRALIZATION – THE LEGAL/INSTITUTIONAL AND POLITICAL FRAMEWORK IN B&H

Decentralization can be seen as the introduction to real democratization in Bosnia and Herzegovina (B&H). However, this is not the path that was followed during the last two decades. Although many authors have qualified B&H as a “not centralized enough” country, it can be said that centralization is present within certain levels of the country. The local government system in B&H is oriented considerably toward the middle level of state organization: the entity in the Republic of Srpska (RS) and the entity and cantons in the Federation of Bosnia and Herzegovina (FB&H). Traditionally, the political system in B&H was constructed in a strict and thoroughly centralized fashion, which is still noticeable in present-day governance issues. Although the system was radically decentralized by the Dayton Agreement, centralism has remained rooted in the key points of the governance system – entity in the Republic of Srpska and cantons in the FB&H.

It should be noted that the current administrative structure of B&H was not established by normal evolution and development but by the Dayton Peace Agreement in 1995. This multilayered, complex and complicated structure is the main reason why many, supposedly, tend to see the country as decentralised.

Table 1. – Administrative structure of Bosnia and Herzegovina

Administrative levels	Jurisdiction ¹²⁷				TOTAL
	State	FB&H	RS	Brcko	
Central	1				1
Entity		1	1		2
Cantonal		10			10
Municipal		79	62	1	142
District				1	1
TOTAL	1	90	63	2	156

The Distribution of powers and relations between levels of governance are regulated by constitutions (Constitution of B&H, Constitution of RS, Constitution of FB&H, and constitutions of the cantons). The state is assigned with 10 competences¹²⁸ while all other competences (powers) are assigned to the entities, by a general provision (general clause on powers) of the Constitution of B&H. In the Federation of Bosnia and Herzegovina, competencies, power and resources are divided among three

¹²⁷ OHR (Office of the High Representative) is an integral part of the current structures, with the crucial power in all key decisions in B&H.

¹²⁸ Foreign policy, foreign trade, customs, and monetary policy, financing of institutions and international obligations of B&H, policies and regulations of on issues of immigration, refugees and asylum, implementation of international and inter-entity criminal legislation, including relations with Interpol, establishment and functionality of common and international communications, regulations on inter-entity transportation, and air traffic control.

levels (federal, cantonal¹²⁹, and municipal) and in the Republic of Srpska, only between the entity and the municipal levels. In comparison with central and local authorities, mid-levels of governance - the RS Government in the Republic of Srpska and the FB&H Government and 10 cantonal governments in the Federation of B&H enjoy considerable powers and dispose most of the resources. Seen from the central level (the state), B&H is excessively decentralized, while seen from the very local level (municipalities), it is a matter of intolerable centralization of competence, power and resources. Another separate administrative and territorial unit in B&H is represented by the Brcko District. This unit, previously known as municipality, has received special status, which was formalized with constitutional amendments in 2009. The Brcko District has almost all competences as entities (including executive, legal and judiciary authorities).

Bosnia and Herzegovina is highly divided, not just administratively but also along ethnic and religious lines. Prior to the 1990s, almost every municipality had a dominant majority from one ethnic group in the specific territory (the so-called leopard skin pattern of territorial organization within the B&H¹³⁰). The territorial split that occurred during the war corresponded with the separation of “minorities” from majorities, with few exceptions. When war ended, in 1995, it institutionalized these ethnic differences by administrative organization of the country, creating a Serbian majority to the Republika Srpska, while the Croatian and Bosnian majorities settled in a few cantons within the Federation of Bosnia and Herzegovina. Currently, 80 percent of municipalities are dominated by one ethnic group. The most important aspect within the ethnic division of the territory is that politicians and government representatives, even at the local government level, follow policies that do not endanger the current state of territorial majority. This is also a very important aspect that needs to be taken into consideration when looking at the possible decentralization and fear from “loosing of control” over territories (and population).

Up to now, the EU enlargement process was not treating decentralization issues within B&H with proper attention. The focus – established with “nation-building framework” and top-down approach – has been on the support of the state and its institutions in order to create a solid partner in future EU enlargement process. At the same time, ethnically biased decentralization created resistance to EU initiatives and projects that endanger the current state. This is particularly the case with the regional development concept that promotes regions which are in conflict with the current administrative structure of the country. Almost 10 years after the launch of the regional development concept based on 5 economic regions (NUTS¹³¹ 2) within the B&H, the situation is blocked due to the politicisation of the concept¹³². As an alternative, the Republic of Srpska is proposing a regional development concept that will respect internal administrative borders and that will be based on the NUTS 3 regions.¹³³ The resolution of the “conflict” is still not on the horizon, while the EU is not pushing for its termination.

¹²⁹ Cantons are not another level of local government but rather political and territorial units with pronounced state-like features.

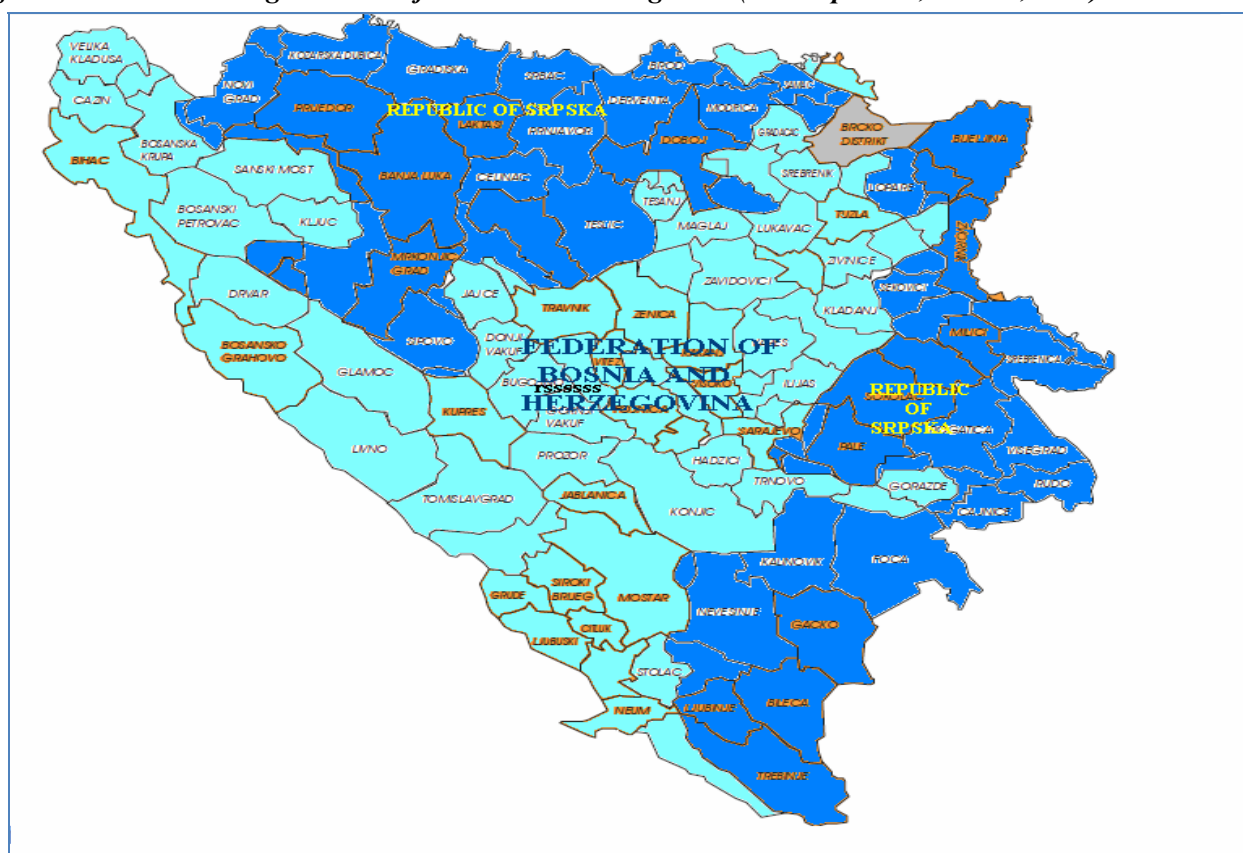
¹³⁰ Leopard skin is an expression used for the regional distribution of ethnic groups in Bosnia and Herzegovina (Opacic *et al.* 2005).

¹³¹ The Nomenclature of Territorial Units for Statistics (NUTS)

¹³² Major “bosnyak” parties (Party of democratic action - SDA, Social-democrat party - SDP and Party for B&H –SBiH) took 5 “economic” regions in B&H as the platform for future constitutional changes related to territorial issues in B&H. Based on their views, Bosnia and Herzegovina should be organized regionally without the existence of the current entities and cantons.

¹³³ According to this approach, Bosnia and Herzegovina would be NUTS 1, entities NUTS 2, while cantons in the FB&H and regions in the Republic of Srpska will be NUTS 3.

Figure 1. – Territorial organization of Bosnia and Herzegovina (municipalities, entities, state)



2. POWERS AND RESOURCES OF LOCAL SELF-GOVERNMENT UNITS IN THE REPUBLIC OF SRPSKA¹³⁴

The law on local self-governance in the Republic of Srpska (2004) makes a distinction between municipalities and cities, but still accords them the same responsibilities. All local government unit responsibilities can be divided into two categories: regulatory and service provision duties. The tables below show local government duties established by laws in this entity.

Table 2. – Local government competences in the Republic of Srpska

	Entity level	Local government
Regulatory competences	Adopting local government budget, development program, spatial, urban and regulation plan, as well as other policies related to municipal competences and in accordance to laws	X
	Establishment of municipal bodies, organization of services and their coordination	X
	Collection, collection control and enforcement the original revenue of the municipality	X
	Adopting regulations on taxes, fees, duties and tariff's under the	X

¹³⁴ B&H has two local government systems, one in the Republika Srpska (RS) and one in the Federation of Bosnia and Herzegovina (FB&H).

competences of the local government unit		
Establishing and carrying out inspections surveying the implementation of regulations under the competences of the local government unit		x
Determining policies for managing natural resources in the local government unit and distributing the income from their use	x	x
Determining the policies and fees for the use of public goods		x
Devising and implementing policies of disposal, use and management of construction sites		x
Organizing the communal police		x

	Entity level		Local government	
Service provision competences	Education – preschool			x
	Education – primary and secondary	x		x
	Education – higher	x		
	Public administration	x		x
	Police	x		
	Civil protection			x
	Fire fighting	x		x
	Civic affairs registry	x		x
	Healthcare centres	x		x
	Centres for social work			x
	Geriatric centres			x
	Theatres and galleries	x		x
	Sport and culture halls			x
	Water supply			x
	Gas supply	x		x
	Heating			x
	Sanitation			x
	Waste disposal			x
	Local and uncategorised roads and streets			x
	Cemeteries			x
Environment Protection			x	
Public transportation (local)			x	
Trade and tourism	x		x	
Crafts			x	
Water management	x			
Employment	x		x	
Local media (newspaper, radio, TV)	x		x	

Source: Law on local self-government in the Republic of Srpska

The *Law on Local Self-Governance in the Republika Srpska* explains some municipal competences in detail, while for others it merely invokes other laws pertaining to their fields and determines municipal competences. Almost one hundred other laws in the Republika Srpska regulate the work of the municipal administration (Miovcic 2008).

The territorial organisation and consequential distribution of state and society functions have a major influence on the economic position of a particular level of authority (Draganic et al. 2008). Since B&H has four levels of authority (state, entity, cantonal – in Federation of Bosnia and Herzegovina – and local), the position of local self-government units in this context is not surprising at all. According to the data set forth in the next table, it is evident that the allocation of public expenditures for local

government in the Republic of Srpska is very low (8,07 percent of GDP in 2009 and 6,78 percent in 2010).

Table 3. – Government expenditures in 2009 and 2010 (Republic of Srpska)

	2009 (in millions KM)	2009 (% of GDP)	2010 (in millions KM)	2010 (% of GDP)
GDP	8.455	100,00%	8.717	100,00%
General government budget	1.556,10	18,40%	1.600,00	18,35%
Local government budgets	682,20	8,07%	590,8	6,78%
Extra budgetary funds	1172,6	13,87%	1265,3	14,52%

Source: The RS Ministry of Finance, Mid-Term Budget Document for the period 2011-2013

The share of local government unit expenditures as a percentage of GDP in the Republic of Srpska is extremely low compared to other countries in Europe, except Germany (see Table 4).

Table 4. – Local government expenditures (% of GDP) in selected countries

	Euro 27	Euro 25	Euro 15	Denmark	Czech Rep	France	Italy	Germany
Percent of GDP	12,3	12,4	12,4	37,4	12,4	12	16,6	7,8

Source: Eurostat statistics, data for 2009

The assignment of competencies over taxes, fees and charges is covered by the Law on the budget system of the Republic of Srpska (RS Official Gazette Nr. 96/03, 14/04, 67/05, 34/06, 128/06, 117/07, 54/08 and 126/08). It can be seen that all major taxes are under the Republic of Srpska's competence while there are no local tax authorities that autonomously administer local taxes.

By looking at the local government finance in the Republic of Srpska, it can be noted that the financing is predominantly dependant on the amount of the Value Added Tax (VAT). Indirect taxes (mainly VAT) represent around 50% of entire local government finance. The current system of financing local governments is very fragile at times when general consumption of goods and services drops. Also, this system is unprotected from changes in decisions from the entity level since the RS Government can change the proportion of VAT that is distributed to local governments by making changes to the Law on budgetary system. Currently, the RS units of local self-governance receive a fixed proportion (24%) from the part of the VAT that goes to the Republic of Srpska. The analysis of local government finance shows that property tax does not represent a significant portion of local government revenues. The data from previous years show that this revenue represents only 4-5% of the total local government revenues. It seems that this underestimated aspect of the government fiscal policies has arrived on their agenda but the outcome of this process is still very difficult to predict. Other significant revenues of local governments are the portion of taxes on salaries, various fees, and transfers from upper levels. It can be seen that municipalities greatly depend on the assistance of upper levels, which is why they subordinate all other inter-administrative relations to their relation with the upper level.

Table 5. – Assignment of competences over taxes, fees and charges in the Republic of Srpska

	RS budget	LG budget
Revenues from indirect taxes	X	
Tax on profit	X	

	RS budget	LG budget
Tax on income	X	
<ul style="list-style-type: none"> • Tax on revenues from author rights, patents and technical advancements • Tax on revenues from the capital • Tax on revenues from capital gains 		
Tax on use, care and bearing goods	X	
<ul style="list-style-type: none"> • Tax on motor vehicles • Tax on boats and yachts • Tax on aircrafts • Tax on weapons 		
Tax on games	X	
Charges	X	
<ul style="list-style-type: none"> • RS administrative charges • RS court charges • RS special charge • Other charges 		
Fees	X	
<ul style="list-style-type: none"> • Concession fees on natural and other public goods • Fees for environment protection • Fees for use of natural and other public goods 		
Revenues taken from illegally conducted activities and acquired property	X	
Other revenues	X	
Revenues from the indirect taxes (the VAT)	X (72%+4% for RS Roads)	X (24%)
Tax on revenues/wages	X	X
<ul style="list-style-type: none"> • Tax on revenues from entrepreneurship (75%) • Tax on wages (after taking 10% for possible refund cases) 		(25%)
Fee on agricultural land (change of use)	X (30%)	X (70%)
Concession fee for use of mineral resources	X (30%)	X (70%)
Special water fees	X	X
<ul style="list-style-type: none"> • Fees for taking river and underground waters (70%) • Fees for production electricity using hydro power • Fees for extraction of materials from waters 		(30%)
Special water fee	X	X
<ul style="list-style-type: none"> • Fees for protection of waters (55%+15% for Environment Fund) 		(30%)
Revenues from sale of confiscated goods	X (70%)	X (30%)
Tax on property		X
Penalties for sanctions within municipal affairs		X
Municipal administrative taxes		X
Communal taxes		X
Special water fees – fee for water protection		X
Municipal fee for use of natural and other public goods		X
Tax on gains from games:	X	
Other revenues:		X
<ul style="list-style-type: none"> • Revenues from donations and other business activities according to relevant regulation • Other municipal activities 		

Table 6. – Local government revenues in the Republic of Srpska in 2008 and 2009

In convertible marks (KM)

All LG units in the Republic of Srpska	Total 2008	%	Total 2009	%
Tax revenue	394.374.406	61,58%	317.390.824	57,02%
VAT	317.022.885	49,50%	261.420.218	46,97%
Tax on salaries	42.008.325	6,56%	35.714.483	6,42%
Tax on income	3.842.111	0,60%	51.687	0,01%
Tax on property	31.113.799	4,86%	19.952.038	3,58%
Other taxes	387.286	0,06%	252.398	0,05%
Non-tax revenue	181.388.574	28,32%	153.659.608	27,61%
Revenue from entrepreneurial activities and property	34.292.643	5,35%	19.615.556	3,52%
Administrative taxes	9.562.678	1,49%	7.845.041	1,41%
Communal taxes	18.598.623	2,90%	18.753.537	3,37%
Fees on various grounds	91.096.415	14,23%	82.705.042	14,86%
Revenues from services provided	18.205.443	2,84%	18.488.155	3,32%
Penalties	342.257	0,05%	480.535	0,09%
Other non-tax revenue	9.290.515	1,45%	5.771.743	1,04%
Income on the ground of capital	13.023.545	2,03%	12.692.133	2,28%
Current and capital transfer (support)	45.248.723	7,07%	66.489.893	11,95%
payment Received from given loans	6.360.432	0,99%	6.386.669	1,15%
TOTAL REVENUES	640.395.680	100,00%	556.619.127	100,00%

Source: The RS Ministry of finance, author's calculation

The current financial position of the municipalities is weak, especially in smaller municipalities where local government revenues in the form of local taxes, administrative and utility levies are sufficient just to cover administrative costs (e.g. wages and materials). Experience with funds absorption is limited, even though many municipalities do implement (i.e. are beneficiaries in) donor-funded projects. Donor support guidelines are often complex and municipalities find it difficult to integrate donor support directly in their municipal budgets¹³⁵. They benefit from the projects as such, but the impact on municipal development strategies could be greater if the municipalities were capable of managing the funds as part of the municipal budget cycle. Courses on funds absorption in projects are limited to the project's duration. In many projects, they also relate to calls for grants proposals in these same projects. Consequently, capacity is only limitedly sustainably developed, and expertise on tender procedures, donor programming, and instruments for attracting donor funding and implementing projects (e.g. PCM) are not strongly rooted in the municipalities. Also, the RS association of municipalities and cities do not have the capacities to provide support to its members in relation to technical assistance for tender procedures, donor programming, and instruments for attracting donor funding.¹³⁶

EU funding provides an important potential revenue source for local self-government, directly or indirectly. However, in order to fully benefit from funding – attract and subsequently absorb funds – capacity development in financial management, pipelining and revenue mobilization is essential, as well as a thorough understanding of legislative repercussions and EU funding and programming in

¹³⁵ The reasons are numerous but the most important are: prevalent practices of “independent” implementation of projects by, mostly, international consulting companies and organizations, weak capacities within municipalities to prepare and implement projects in accordance to donor guidelines, mismatch of budget cycle and donor support initiatives, problems with public procurements, etc.

¹³⁶ The improvement of the capacity of entity associations of municipalities and cities in Bosnia and Herzegovina is the main goal of the Capacity Development of Municipal Associations (CDMA) project. This project, which will end in 2013, is funded by the Swedish SIDA and implemented by the Dutch VNG, Swedish SIPU International and B&H's EDA.

general. However, there is no still proper response from the RS Government with regards to these issues.

3. TREBINJE – REGIONAL CENTRE WITHOUT PROPER REGIONAL FUNCTIONS AND FINANCES¹³⁷

Trebinje municipality is one of the 62 municipalities in the Republic of Srpska, having the same competencies over local issues. Beside local administration, the local government has some competencies over social protection, local fire department, communal police, primary health and elementary/secondary education and some other shared competencies with upper level. All other functions are de-concentrated entity functions at the local level that are attached to the RS Government and relevant ministries. The Trebinje Municipality is a medium size municipality in the Republic of Srpska that has natural regional character of the regional centre to Eastern Herzegovina. Previous analysis of institutions, politics and economy that was conducted within the first SeeNet report on selected territory show that Trebinje's stakeholders operate in the complex system of interactions between upper levels, local, regional and state politics and various other actors (business community, church, and local NGOs). Currently, the majority of seats in the municipal assembly are held by the Alliance of independent social-democrats (SNSD), which is also the ruling party at the entity level. For the distribution of seats in local assembly, please see the figure 2.

The total budget of the Trebinje municipality in 2010 was 18,02 million KMs or 9,2 million EUR. According to analysis of the last 5 years budgets, the major sources of budget revenues in the Trebinje municipality are taxes (44%) and non-tax revenues (45%). The main income deriving from taxes is the proportional share of the VAT transferred in accordance to a predetermined formula, while the main income within non-tax revenues comes from fees on flooded areas paid by the Power Utility of the Republic of Srpska. The other sources of budget revenues in the Trebinje municipality are transfer from upper levels (3-4%) and income from loans given to farmers and other business subjects. The functional analysis of budget expenditures in 2010 show that most of the expenditures are in the area of general administration services (29,5%), economic activity (18,4%) and environmental protection (14,5%). See figure 3.

¹³⁷ Author's analysis of selected territory coupled with interviews with local stakeholder.

Figure 2. – Distribution of seats in Trebinje's municipal assembly (%)

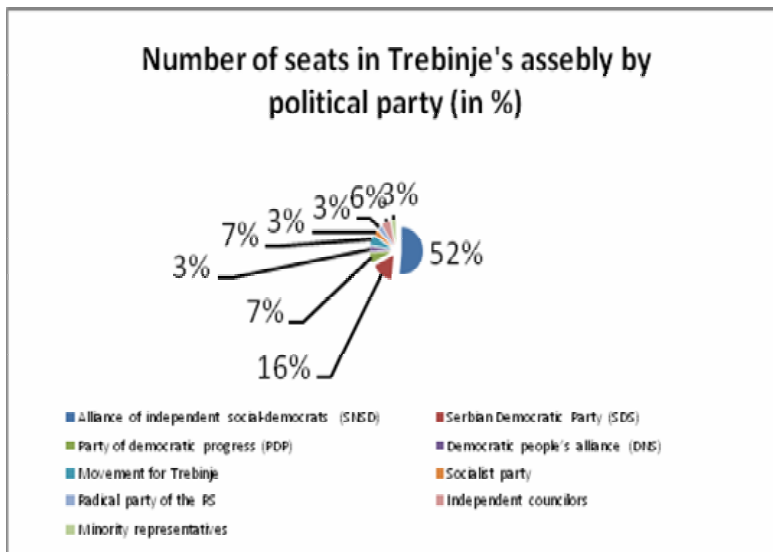
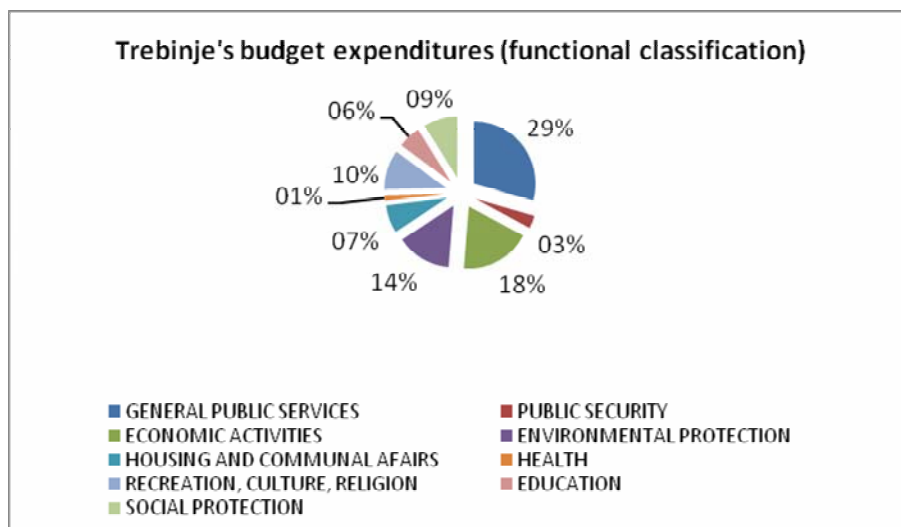


Figure 3. – Budget expenditures in the Trebinje municipality in 2010 – functional classification (%)



The current municipal budgets revenues are enough to cover operational expenses and certain local investments without the possibility to devote a certain share to regional development. The donor funds are only used in several cases, but primarily as part of some greater international initiatives. The current infrastructure for absorption of EU funds in the Trebinje municipality is very questionable.

According to official data from October 2010, Trebinje municipality employs 165 people that have been employed within mayor's office and seven departments¹³⁸. Rural tourism at local level is a competency shared by the Trebinje municipality, through the officer for rural development within the Department for Economy, and the local Tourist Information centre. Also, other important players in

¹³⁸ For organization chart please see Annex B.

this field are local wine makers and honey producers, who consider that their offer will find customers through the expansion of the rural tourism concept in the territory. Generally, local stakeholders are increasing their roles in local development in Trebinje, but not sufficiently enough to explore all existing potential. Thus, the SeeNet program could provide them with technical support in the valorisation of these resources as well as benchmark within its regional network.¹³⁹

4. MULTI-LEVEL DYNAMICS RELATED TO DECENTRALIZATION IN THE REPUBLIC OF SRPSKA

The Decentralisation process increases multi-level dynamics when constructed and conducted in a proper manner¹⁴⁰. However, since this process is still at the beginning in the case of the Republic of Srpska, there are no proper interactions between all subjects. When looking at the decentralisation of functions, several key actors can be seen as being very interested in this process:

- Upper level government
- Responsible ministries within entity government
- Political parties
- Public administration within decentralized functions
- Local level government representatives
- The RS Associations of municipalities and cities
- (Local) business elite
- International organizations

Upper level government is blocked between the urge for decentralization formulated by international documents, real life requests and preserving the status quo where things are much easier to control. These centralization attitudes were inherited from a previous time, and strengthened within key points of the system – entity level. The concept of regional cooperation and regional development supporting decentralization is still not on the agenda of the RS executive and legislative bodies¹⁴¹. However, if we look at past experiences of other countries in the process of their accession to the EU, such situation shall not remain for long. Regionalization - associations of local self-government units into broader territorial entities - is considered to be one of the main instruments to equalize development in the RS, especially in terms of possibilities offered through EU financial instruments. When it comes to the concept of regionalization the main issue is: whether it is necessary to legally impose such regional organization, or will it be defined as the right of a local self-government unit (which reminds us of the right to inter-municipal cooperation).

Sectoral policies are not in line with the decentralization announced through the Local Self-Governance Development Strategy. In fact, the responsible ministries do not have the ideas or capacities to cope with challenges of functional and fiscal decentralization. Responsible ministries are more in favour of

¹³⁹ More in the First SeeNet report on the selected territory (Trebinje Municipality)

¹⁴⁰ The interaction between the RS Government and local level governments is still much subordinated to the upper level. As previously seen, municipalities greatly depend on the assistance of upper levels, which is why they subordinate all other inter-administrative relations to their relation with the upper level.

¹⁴¹ In 2010, the RS Government has established the Commission that need to explore and propose future concept of regional development. Up to now, there are no any results presented by this Commission.

solutions that provide regional de-concentration¹⁴² of their control rather than real decentralization. It means that they favour the processes where the agents of entity government control are relocated and geographically dispersed. The competencies over rural and tourism development are completely with the upper level while certain local governments, such as Trebinje, try to find their own development path in these areas. Rural tourism is a novelty within the touristic sector and touristic offer in the Republic of Srpska and Bosnia and Herzegovina. This can be confirmed with the data from the beginning of 2009 where there were no registered household in the Republic of Srpska providing services in the rural tourism sector. The current offer is limited to several households that provide rooms or houses in rural areas but they are not registered for these activities¹⁴³. Municipalities, such as the Trebinje municipality, have provided a strategic framework within their local development strategies for rural tourism but there are still a lot of problems – from registration processes to the financing and improvement of touristic offer. The competencies over tourism and rural development are mostly at the entity level. It can be noted that there are limited dynamics between relevant stakeholders in this area – the RS Ministry for trade and tourism, the RS Ministry for agriculture, municipalities, local touristic organizations, donors, households, etc. Although the RS Rural Development Strategy predicted some intervention in this field, the situation is far from satisfactory.

When looking at political parties and decentralization, it seems that the strongest relationship lies within the level of development of party infrastructure and the intention toward decentralization. The more developed the party infrastructure the more tendency to decentralise certain state/entity functions. Also, previous surveys¹⁴⁴ show that opposition parties are more supportive of decentralization than the ruling party due to lack of control over resources at upper level. This is due to the fact that not all municipalities are under the political control of the ruling party at the entity level, while the municipal management from “opposition” parties at the upper level consider that the decentralization will bring them more control over local resources and more financial funds in those municipalities where upper level opposition parties are managing local affairs. However, since the infrastructure of parties is very poorly developed, and since there is no strong opposition in the Republic of Srpska, the decentralization processes have not been effectively supported in the past. When looking at the position of political parties toward decentralization¹⁴⁵, they all favour regionally balanced development within the Republic of Srpska, however, beside declarative support, there are very few¹⁴⁶ recorded initiatives for new mechanisms or instruments that will promote balanced regional development.

Public administration is a very important aspect when conducting functional decentralization, especially due to its ability to influence decision “from the inside”¹⁴⁷. The Current wage system within public administration in the Republic of Srpska could be one of the major demotivating factors that could slow down decentralisation processes. Generally, local government administration employees

¹⁴² Administrative decentralization, i.e. a transfer to lower-level government authorities, or to other local authorities who are upwardly accountable to the upper level government

¹⁴³ The Information of the RS Ministry for trade and tourism on possibilities for rural tourism development, 2009

¹⁴⁴ See Corrections or remodeling? – It is good to build well (analysis of development options in local self-governance in the Republic of Srpska and the Federation of Bosnia and Herzegovina), Eda Banja Luka, 2009

¹⁴⁵ Author’ analysis of the political platforms and Statutes of major political parties in the Republic of Srpska

¹⁴⁶ Fund for Development of the Eastern Part of the Republic of Srpska, Joint Stock Company Lukavica, was founded by the Government of the Republic of Srpska pursuant to the Law on the Fund for Development of the Eastern Part of the Republic of Srpska (“Official Gazette of the Republic of Srpska, No. 52/07). The purpose of establishment of the Fund is to provide support to development projects in the eastern part of the Republic of Srpska. This initiative is considered as “political tool” for provision of financial support to “loyal” municipalities and individuals according to the opposition parties at the entity level.

¹⁴⁷ Based on assumptions derived from the public choice theory (Buchanan and Tullock, 1962)

have lower wages than upper level government employees for jobs with similar qualifications, all other things held constant. This creates huge resistance to “status change” from employees within the entity administration to employees within the local government administration. This state is a consequence of constant mistakes in defining unified policies within the public sector.

Local government level representatives are favour decentralisation in sectors that would provide them more influence or more money. Previous surveys¹⁴⁸ have shown that they are favouring the decentralisation of tax collection or cadastre that could be a good source for new revenue generations, while they are not in favour of decentralising functions, such as social protection, that put big pressure on their local budgets. On the other side, there are no recorded initiatives for more decentralization of competency related to rural development and tourism. When looking at rural development and rural tourism, the transfer of financial funds from upper to local level is more important than decentralization of competency. However, in some cases, voices for decentralisation are raised based on the neglected status of certain territories (see Text box below). Currently, vertical orientation of municipalities towards the Government of the Republic of Srpska is considerably stronger than horizontal orientation – cooperation of municipalities with some shared problems with and who could join resources for a more effective resolution of problems. Municipal management, especially of weaker municipalities, almost totally rely on assistance from the RS Government and Republic Institutions.

Urge for decentralization and political interference

The prevalent reason for establishment of the Association of Municipalities in Eastern Herzegovina was seen as a reaction to continuous neglect on the part of the Republic of Srpska. Although established with six municipalities (out of seven) where the majority of mayors were from the same political background as the upper level elected government officials, the problems manifested as a notable lack of support due to the mayors’ isolated positions in relation to the upper level. Eastern Herzegovina is almost 400 kilometers away from the capital of the Republic of Srpska and receives less support from the upper level in terms of the financial development of municipalities. The municipalities thought their voices would travel farther if they shouted together. In an interview with one mayor he repeated the old saying, “If you have one stick, it is easy to break it, but if you have seven adjoined it’s much harder.” At the time of the association’s establishment, the Republic of Srpska government did not interfere, perhaps because of the fact that those six mayors were members of the same party as the upper level government. When the upper level government changed in 2007, problems occurred in the form of a lack of financial contribution from the Trebinje municipality, the most developed and biggest municipality within the association. The reason for Trebinje’s withholding of financing was seen as the result of pressure from the upper government level upon the local mayor to prevent further development of the association and its agencies in the forthcoming local election year. This was not publicly announced, but mayors within the association suspected that this was the case.

Source: Bridging the differences – Voluntary inter-municipal cooperation in B&H (Draganic, 2011)

The RS Association of municipalities and cities is an independent, non-profit, legal representative of all 63¹⁴⁹ local government units in the Republic of Srpska. Since many municipalities do not (yet) have the capacity, they expect assistance from the Association to solve certain problems. Moreover, with a view to ensuring opportunities for support, a well-structured lobby is crucial. Ten years ago the Association

¹⁴⁸ Corrections or remodeling? – It is good to build well (analysis of development options in local self-governance in the Republic of Srpska and the Federation of Bosnia and Herzegovina), Eda Banja Luka, 2009

¹⁴⁹ Beside 62 local government units defined within the Law on territorial organization of the Republic of Srpska, there is one “special” unit, the City of Istocno Sarajevo which comprise of 6 neighboring municipalities (Pale, Istocno Novo Sarajevo, Istocna Ilidza, Istocni Stari Grad, Trnovo and Sokolac)

was successful in lobbying against changes in the Law on Direct Election of Mayors. Also, the Association provides information, advice and technical assistance to their members on municipal finance, EU fund absorption, legislative reform, and provides an advocating link between the local, entity and state level. In 2006 the RS Association of municipalities and cities has signed the Memorandum of Understanding (the MoU) with the RS Government which provided an opportunity for the Association to participate in legislations changes, participate in the working groups of the RS Government and to participate in the reform processes related to decentralization and local self-government reform. Although local government representatives had great expectations from this memorandum, communication and cooperation between the RS Government and the Association has prevailed the same¹⁵⁰.

Local business elites have divergent interests related to forthcoming decentralization. It is obvious that some successful businessmen have tight connections with local or upper politics. Based on the type of these relations, as well as businessmen's visions on future potential markets, they are advocating more or less decentralization. These attitudes are not visible at a glance but only when you search for certain success stories, usually they are based on some links with politics or easier access to public funds on local or upper levels. This is the also the case when looking at Trebinje's territory where local wine makers and agriculture producers support local rural tourism development and more decentralized functions in this area. The Trebinje Municipality responded by the provision of certain support within its administrative structure – appointing a person who is in charge of these initiatives.

International organizations are at least ambiguous towards decentralization processes in the Republic of Srpska. Although there are several projects that target local government development¹⁵¹, this does not correspond to clear support toward decentralization. The reason for this behaviour is seen in the fact that major donors, such as the European Commission, consider that a “centralization process” is more important than a “decentralization process” for Bosnia and Herzegovina.¹⁵² Currently, projects targeting decentralisation are focused on local and regional economic development, introduction of good governance principles at local level, strengthening the RS Association of municipalities, etc. However, there is no direct influence¹⁵³ at entity level in order to set priorities regarding decentralization in the Republic of Srpska. The activities of the donors related to rural development can be seen in the first SeeNet report on the selected territory – the Trebinje municipality.

The main stakeholders pushing for more decentralization are local government representatives (mayors and local assembly representatives), political opposition parties of the RS Government and that have some representatives in local government units, the RS Association of municipalities and cities, international organizations and the local business elite close to local government representatives. On the other side, opposition to decentralization is seen in the RS Government, the ruling political coalition at the entity level, certain representatives from ministries and public administration, and business elite close to the upper level government¹⁵⁴. General public and citizens are, in principle,

¹⁵⁰ The Code on inter-administrative relations in the Republic of Srpska (Draganic, 2009)

¹⁵¹ OSCE's Local First Project, UNDP's Integrated Local Development Project (ILDLP), UNDP's Municipal Training System (MTS) Project, USAID/SIDA/Kingdom of Netherland Government Accountability Project (GAP), GTZ Local Economic Development, etc.

¹⁵² Author's discussion with the representatives from the European Commission (DG Enlargement), Brussels, November 2006

¹⁵³ The Council of Europe was previously very active within the local government development in B&H. However, their representatives have been very silent regarding decentralization and local government development within entities in the last 5 years.

¹⁵⁴ When looking on selected territory, 54% of entire incomes generated in the municipality Trebinje come from economic activities attached to energy sector. Thus, the biggest influence over economic issues is still in the hands of people that

ambiguous toward processes of decentralization due to the lack of knowledge about the benefits that could emerge from this process. Additionally, there is no evidence that local media discuss any issues related to the decentralization of the selected territory.

5. CONCLUSION

Although many authors have qualified Bosnia and Herzegovina as a “not centralised enough” country, it can be said that centralization is present within certain levels in the country. Traditionally, the political system in B&H was constructed in a strict and thoroughly centralized fashion, which is still noticeable in present-day governance issues. Seen from the central level, B&H is excessively decentralized, while seen from the local level, it is a matter of intolerable centralization of competence, power and resources. However, local self-government in the Republic of Srpska is undergoing a transformation and accepting new development paradigms completely different and often contradicting to the previous ones. This creates some preconditions for decentralisation that need to be done in the future. Up to now, the results have been rather modest; it took fifteen years¹⁵⁵ to discover that all supporting pillars of society and state are established in municipalities and that none of them are stable if the ground they stand on is unstable. In other words, it is proven that there can be no successful transformation of economic system and central state institutions if the system of local self-government is not reformed and developed accordingly. Local self-governance reform in the Republic of Srpska is not at its very beginning, but it is certainly far from complete.

Local self-government legislation¹⁵⁶ does not distinguish between municipalities in terms of their abilities, regardless of the size and economic power of the municipality, the degree of urbanization, or any other important feature. This creates an argument that many small municipalities cannot cope with further decentralization as the local government system is only strong as the weakest link within it.¹⁵⁷ Thus, the economic position of local self-government units in the Republic of Srpska is very weak, among the weakest in Europe.

Many local government representatives believe that the centralisation is an obstacle to the development of the municipalities, especially the more developed ones and the ones eager for development. It is interesting to note that these same local government representatives exhibit an equal degree of centra-

come from energy sector. Since the head office of the RS Power Utility holding company is in Trebinje, the local “elite” comes from this part of economic activity.

¹⁵⁵ Reform of local self-government in the RS started with adoption of law on territorial organization and local self-government in 1994 and it continued with passing new law on local self-government in 2004. Finally, the RS National Assembly has accepted the Local Self-Government Development Strategy in 2009, announcing strategic intent toward functional and fiscal decentralization.

¹⁵⁶ The Law on Local Self-government in the Republic of Srpska (2004)

¹⁵⁷ Although having the same competencies, the differences between municipalities are immense. At least 3 municipalities in the Republic of Srpska have below 1000 inhabitants while the average size municipality has 24.000 inhabitants. Also, small rural municipalities cope with financial, technical and human resources to fulfill even current competences under the Law on local self-government in the Republic of Srpska. While an average size municipality spends 20-30% of its budget on wages, the rural municipalities spend almost their entire budget (70-80%) for this purpose, leaving no financial resources for infrastructure and development projects. The attempt to consolidate local government units under the new Law on territorial organization of the Republic of Srpska (2008) was a failure due to resistance from small municipalities and a lack of political consensus.

lism towards institutions within their own municipalities - towards local communities. These attitudes and beliefs are also common in Trebinje, according to findings from interviews. The municipal administration in Trebinje considers that they do not have enough competences or resources for further development due to centralization at the entity level while, at the same time, this administration does not provide enough attention to internal decentralization within the Trebinje municipality.

Finally, the decentralization process in the Republic of Srpska is an ongoing process with very limited results up to now. This path, defined within the RS Local Self-Governance Development Strategy, is defined with several elements:

- Transition from the so-called communal system (where municipality is presented as extended hand of the state and party), towards the modern European model of local self-government, presented in the European Charter on Self-government
- Transition from dependency on upper level authorities and funds towards real autonomy and partnership
- Transition from bureaucratic orientation towards consumer orientation and e-governance
- Transition from close to open, with an increasingly important role of civil society value and active participation of citizens in shaping the local life
- Transition from relative isolation towards cooperation and integration with other local communities, first in South-East Europe, followed by the European Union.

The Government of the Republic of Srpska has shown its interest in further decentralization and development of local self-government by accepting the RS Local Self-Government Development Strategy in 2009. After some initial research and policy analysis, it is perceived that some changes will be introduced within the new Law on local self-government, by the spring 2012. These changes will be focused on possibilities to introduce multi-type local self-government units, with differences related to the competences. Also, some new development is expected in the area of local revenue administrations, local and regional economic development and social protection. No implicit changes related to rural development are perceived.

The rural development and rural tourism, as a focus of SeeNet activities in the selected territory, could provide some new “windows of opportunities” but only if the RS Government implement planed policies within the RS Local Self-Government Development strategy and the RS Rural Development Strategy. In this case, the rural development, as part of new concept of local and regional development, will be an integral part of local and regional policies defined by the EU subsidiary principle “*regulate and manage considerable share of public affairs, on the basis of own responsibility and in interest of local population*” while public affairs would “*in principle, above all, be performed by authorities closest to citizens*”. The Agricultural sector, supported by adequate policies, represents a strong basis for development in the Herzegovina region and the Trebinje municipality. Having in mind these conditions, the SeeNet programme could provide valuable support for these trends in the Trebinje municipality. The RS Rural Development Strategy for 2009 – 2015 predicted improvement of the quality of life and the introduction of diversity of income generation in rural economy (3rd strategic goal), particularly through improvement and development of rural tourism’ services¹⁵⁸. The RS Government is expected to implement the following measures:

- Promotion of rural tourism;
- Improvement of capacities in providing touristic services;

¹⁵⁸ The Rural Development Strategic Plan for period 2009 – 2015, accepted on the 10th of November 2009 by the RS National Assembly

- Organizational support to rural households and capacity building related to tourism service provision.

The RS Rural Development Strategy supposed that it is necessary to invest around 4 million EUR until 2015 for implementation of the above mentioned measures in order to improve and develop rural tourism services.

Finally, if applied, the SeeNet will provide selected territories better access to EU funds, stronger partnerships between local authorities within South-East Europe, and improved local administration that will certainly have a positive impact on forthcoming decentralization in the Republic of Srpska and B&H. Therefore, it is necessary to develop and implement tailor made training for local actors in selected territories related to preparation of projects for EU IPA funds. The regular exchange of information between local authorities within the SeeNet must also be formalized and standardized. Finally, the best practices and shared knowledge need to be included into municipal administration in Trebinje through the improvement of administrative structure and specific trainings.

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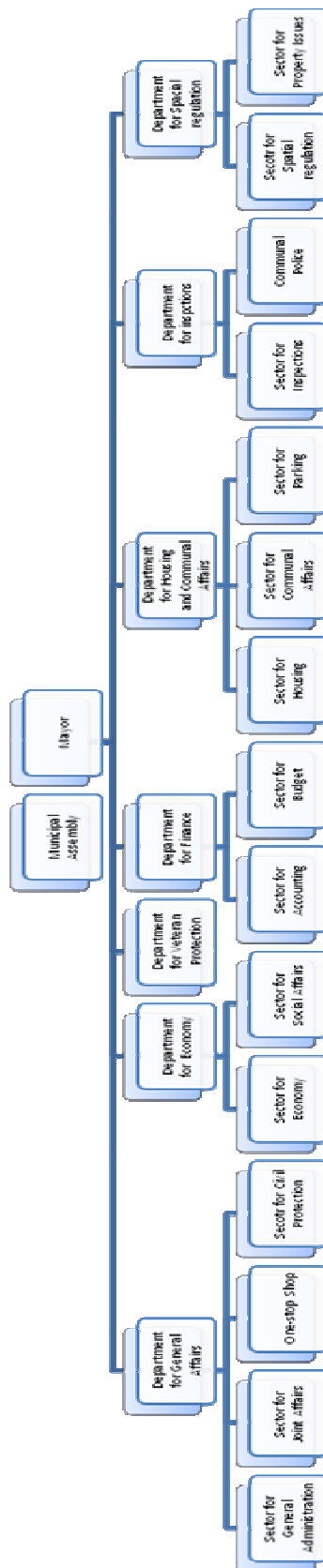
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ANNEX – ORGANIZATIONAL CHART OF MUNICIPALITY TREBINJE



Decentralisation, power of local self-government and multi-level dynamics in Istria Region

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SeeNet Programme

A trans-local network for the cooperation between Italy and South East Europe



EXECUTIVE SUMMARY

Partial decentralisation of certain functions, introduced in 2001, and the establishment of large towns in 2005 marked the beginning of the decentralisation process in Croatia. The current territorial organisation is irrational since it is causing excessive recruitment in the public sector and weakening of administrative capacities. Therefore, the process of decentralisation needs to pay special attention to creating larger local units which would be more efficient than the existing counties in managing decentralised functions. By creating larger units, the unequal capacity for implementing decentralised functions can be reduced. A redefinition of the territorial organisation in Croatia is therefore a crucial step for the decentralisation process (*Guidelines and Principles for Functional Decentralisation and Territorial Reorganisation, 2010; Ministry of Public Administration*).

However, in the course and content of decentralisation and territorial reorganisation special emphasis should also be placed on the reorganisation and rationalisation of central state administration bodies and transfer a part of their affairs to the level of government which is closest to citizens.

With the adoption of the Law on Cultural Councils (2001), and its subsequent changes (2004, 2009), major changes in the course of decentralisation happened within the cultural policy system. Cultural Councils became consultative bodies to the Minister of Culture with reduced autonomy but a similar mandate. Cultural councils are mandatory for all counties and cities with more than 30 000 inhabitants. This legislation guarantees local cultural self-government in the fields of archives, libraries, protection of cultural property and the theatre.

In 2000, co-operation was established between the Ministry of Culture and the Open Society – Croatia, a partnership that offered significant support to the non-profit cultural sector and resulted in the establishment of a wide number of NGOs in culture. As a result, there was a significant increase in the number of cultural festivals and manifestations. New partnerships forged from private and public funds have resulted in important new cultural events that have established themselves on the international scene.

The role of local and regional self-government units has increased in recent years and is supporting local development initiatives. Intensive work has been done with projects that give the budgetary sources certain relief. However there is a crucial need for better networking and better coordination of local communities in culture. It can be concluded that the local level has the strongest influence on the development of the cultural sector while the county and Ministry of Culture have more symbolic roles. Nevertheless, convergence between the different levels of governance is present.

The Government of the Republic of Croatia announced a comprehensive public administration reform at the beginning of its mandate, including local self-government reform. The reforms are aimed at creating preconditions for a more rational, better quality and more transparent public administration, and at increasing the accessibility and quality of services for the benefit of all citizens. The Ministry of Public Administration initiated and developed *Guidelines and Principles for Functional Decentralisation and Territorial Reorganisation* that are based on the subsidiarity principle, and recommend partnership between all levels of government. They comprise three basic, equally important and interconnected components: functional decentralisation, i.e. transfer of powers and competences from the central to lower levels of government; fiscal decentralisation, i.e. transfer of certain resources to local and regional self-government units for the financing of public powers; and territorial reorganisation, i.e. finding an optimal territorial organisation model for public services.

In this regard, the task of preparing territorial reorganisation models as a first step needs to be undertaken as soon as possible, followed by the legitimisation and selection of a model by the end

of 2011. Further tasks to be taken relate to the normative framework development, i.e. preparation and adoption of the most relevant regulations on the new territorial organisation, as well as those related to financing. Finally, the preparation and adoption of the sector regulations will be a key issue since it relates to the implementation of all mentioned above and, according to plans as set by the respective Ministry, the process would need to be finalised by summer 2013.

1. DECENTRALISATION: THE LEGAL/INSTITUTIONAL AND POLITICAL FRAMEWORK

The existing local self-government system in Croatia was established in 1993 with the adoption of legislation regulating territorial organisation, self-government scope, the electoral system and local self-government finances as well as by way of conducting the first local elections. The overall system of local self-government in Croatia was highly centralized with very limited possibilities for local units to autonomously carry out administrative and fiscal functions.

Although the new system reinstated counties as a form of the regional governance (having been abolished during socialist times) they did not fulfil the expectations that were raised at the time of their creation. The strong control of the central state over the counties continued until the constitutional changes in 2000. In combination with their limited financial potentials, this resulted in a lack of development initiatives and projects at the county level. The counties were mainly seen as administrative units and not as initiators or coordinators of the development processes.

At the local level, the most important change has been a strong increase in the number of local units which had some positive, but also negative, effects. On the positive side there have been increased opportunities for many deprived areas (which became local government units) to manage their own development and to increase the living standard of their inhabitants. On the other hand, an almost five fold increase in the number of units has led to an enlarged bureaucracy and to reduced administrative capacity in many cases.

Since 2001, several activities aiming to strengthen the fiscal and management power of the local and county government have been undertaken. The decentralization process initially included all counties and 32 towns with the strongest fiscal capacity. The process has later been gradually expanded on to the other units on an individual basis. Units took over new responsibilities depending on their judgment about the costs and benefits of the process. The rationale behind this asymmetric approach has been an awareness of significant disparities between local units in their capacity to manage decentralized functions, implying that the first steps in decentralization should aim at the units with the largest fiscal and administrative capacity.

Amendments to the Local and Regional Self-Government Act (LRSGA) were passed in 2005 which transferred a new set of responsibilities to the counties and major cities (issuing location and building permits, road maintenance and some other activities related to the spatial planning). The current government was appointed in 2009, after the political shifts caused by the resignation of the former prime minister (2004-2009). There is continuous pressure on the central government to enable fiscal decentralisation, which is a necessary precondition for any other efforts in this direction (decentralisation of education, health, etc.).

During the whole period of twenty years, political parties had great influence on the decentralisation process since politics have governmental control. Except for IDS, and smaller regional parties in the 1990s, political parties misunderstood the decentralization process. Decentralisation must start with the social dimension by enabling citizens to be properly informed and to exercise their right to decide. It is necessary to develop organisations that represent the different interests within society –

regional and functional. In this context it is necessary to transform the traditional notions which govern the actions of political parties so that these become spaces for the discussion of the main development issues. This requires not only a vertical structure but also a horizontal one where these different interest groups can meet and be represented. Managing development is a shared responsibility between the private and public sector, both based on vertical and horizontal political structures. This is the largest challenge for the decentralisation process and it is one that political parties must meet.

In 2000, the situation slightly changed but we are still far below the standards of various EU countries. On the other hand, political parties' did not have a strong influence on the decentralisation process in the cultural sector due to a lack of clear vision of proclaimed cultural policy. In that sense, democratisation and decentralisation had an equal sign and meaning. Politicians had not differentiated these two terms – in a way, they were not aware of what decentralization was and the kind of implications it has for the further development of the state. At the beginning of Croatian independence, having the democratic state/society was considered enough for the overall development on the state/regional/local level.

In the 1990s, cultural policy was politically and administratively centralised and incorporated into everyday life with a special emphasis on national traditions. Cultural planning and funding gave priority to activities of "national interest" in culture and left all other activities to the emerging market and to NGOs. Since 2000, when the new coalition government was elected, there has been a broader implementation of cultural policy with a particular stress on pluralist cultural orientations. A more balanced approach to tradition and a new evaluation of the national and the multicultural components has been undertaken, together with steps towards further decentralisation and direct co-operation with NGOs. This has resulted in the establishment of an "independent cultural sector" and has separated "institutional" (government subsidised) and "independent" culture (subsidised mostly by foreign sources). Since 2004, there have not been any major shifts in cultural policy and overall cultural strategy.

However, compared to the other sectors, culture is currently a highly decentralized sector with more than 50% of the public funds for culture going to the local and regional self-government units. Greater cooperation is visible between the Ministry of Culture and public institutions – museums, gallery centres, theatres, libraries, concert offices and offices of city/municipal government. The Ministry is participating in programs which are being presented and implemented by the public institutions. One recent step forward was the initiative by the Ministry of Culture to gather county representatives in the Partnership Committee for Sustainable Management of Cultural Heritage. In this way, a systematic approach of priorities is being introduced in which regional self-government units can negotiate with the Ministry in order to get support for their events and project. From time to time, the opposite trend can be felt by those outside public institutions, in strengthening the role of the Ministry.

Decentralisation is still an important subject of debate in Croatian cultural policy and practice. There are ongoing discussions to extensively reform and decentralise public administration in all fields together with a redefinition of territorial units in general. Experts in the Ministry of Culture and the Croatian Law Centre (NGO) have drafted a model of cultural decentralisation covering financing, infrastructure, decision-making and planning based on polycentric development corresponding with Croatian cultural and historical regions. However, primarily due to a lack of funds at the local level, the process has slowed down considerably. The model of cultural decentralisation still awaits public debate, revision, and then, if possible, it will gradually be implemented. The process of decentralisation is also supported by the provisions in the Law on the Protection and Preservation of Cultural Assets which regulate the distribution of funds collected through the "monument annuity" fund. This Law ensures that 60% of the funds collected are used

by the local governments in their respective city / municipality for the protection of cultural heritage.

The accession process substantially changed the approach to regional development in Croatia, and provoked the introduction of a new regional policy, given the government's readiness to adjust Croatian regional policy to the principles and practices of Cohesion policy. One of the first outcomes of the adjustment process was an increasing awareness of the importance of regional development policy. Furthermore, the accession process accelerated the introduction of some measures related to the legislative and institutional framework.

Different initiatives and programs supported Croatia in its efforts in developing decentralisation and regional policies. These initiatives are the result of internationally financed projects. Some of the more ambitious attempts to create the basis for a general strategy of decentralization relate to: the policy project "Decentralization of Public Administration", finalised in 2003; the Framework Programme of Decentralization for the period 2004-2007; and the appointment of the Commission for Decentralization in 2004.

The "Fiscal Decentralization" project (CARDS), implemented in 2005-2006, assisted in proposing and implementing reforms to the financing of local and regional governments and making recommendations for providing adequate financial resources to local and regional governments.

Furthermore, the "Capacity Strengthening for Administrative Decentralization" (CARDS), implemented in 2006-08, resulted in policy recommendations concerning new models of organisation of public services at the regional and local level, a new model for financing decentralised services and the establishment of the National Training Strategy for Local Elected Officials and Local Civil Servants. Further assistance was provided in the framework of USAID assistance (until 2008) through the Local Government Reform Project (LGRP) which addressed the needs of cities, towns and municipalities as they assumed greater responsibilities in the management of their budgets, culture, health and education. Several foundations have also supported local/regional development and decentralization, one of which, the Friedrich Ebert Stiftung, has several new projects related to local self-government and decentralization. A number of seminars and training courses have been organized, including specific training for town civil servants and members of town representative (Maleković, Puljiz, Bartlett, Tišma, Funduk, 2011).

Various cultural agencies and institutes such as the Austrian Cultural Forum, British Council, French Cultural Centre, Goethe Institute, Cultural Centre of the Islamic Republic of Iran, Italian Institute for Culture and Aula Cervantes support cultural activities and cooperation. Croatia is a member of the Council of Europe, and participates in its numerous activities and projects. EU financial assistance (CARDS and the pre-accession instruments - mainly PHARE) was used for projects with a cultural component and carried out by local organisations. These projects were primarily oriented towards cultural heritage and cultural tourism (such as CRAFTATTRACT, Tourist Cultural Centre-TCIC, Pannonian palette, etc.).

In 2007 Croatia became a member of the EU Culture 2007-2013 programme. The Ministry of Culture published by-laws, introducing rules for co-financing of Croatian participants in the Culture 2007-2013 programme with the aim of stimulating applications in the first period of the Croatian participation in the Programme. In addition, the Cultural Contact Point (CCP) Department has been established and hosted by the Ministry of Culture. In 2009, 25 Croatian projects were co-financed through the Culture programme (visual arts, exhibitions, dance and theatre performances, festivals, design, heritage preservation, etc). A number of projects and cultural organisations (e.g. Motovun film festival, Animafest, ZagrebDOX, Živa d.o.o., Studio dim d.o.o. etc.) have received funding through the MEDIA programme.

A more significant contribution to recent culture funding comes from donations and sponsorship, particularly from large companies such as Adris, T-COM, VIPnet, Filip Trade, and banks (e.g. ERSTE Bank Croatia, Hypo Alpe Adria Bank Croatia, Zagrebačka banka, etc.). These contributions

are given mostly on a project basis. In 2009 and 2010, the funds have narrowed down as a consequence of the global recession

2. POWERS AND RESOURCES OF LOCAL SELF-GOVERNMENT UNITS

According to the Ministry of Finance, 153 regional and local units (out of 576) have so far taken over one or more decentralized functions. However, most of these units have only taken over the responsibility for the organization of fire protection while the number of units in charge of other types of decentralized functions remained almost the same as at the beginning of the process of fiscal decentralization. These results suggest that the process lost its momentum after 2001. The only exception has been the transfer of responsibilities for issuing building and location permits which started in 2008.

The 2005 Amendments to the Local and Regional Self-Government Act (LRSGA) introduced a new category of local self-government units: large towns. This category includes towns which represent economic, financial, cultural, medical, transport and scientific centres of wider areas with a population of over 35,000 (16 towns, one of them being the City of Varaždin). The same privileges are enjoyed by the capital towns of the counties, regardless of their size (8 county capitals with under 35,000 inhabitants).

The Law on Financing of Local and Regional Self-Government Units determines the types of revenue, their distribution, rates, i.e. limits within which they are prescribed. The major part of the revenues for local and regional self-government units, both in terms of structure as well as in absolute terms, are realized from the (shared) tax revenues, of which income tax is by far the most important source of revenues, covering around 60% of total revenues. The following table shows the distribution of shared taxes between three governmental levels.

Table 1. Distribution of revenues from shared taxes

	State Budget (Fund for Equalization)	Counties	Municipalities / Cities	City of Zagreb^a
Personal income tax	0%; (Fund for Equalization 17.5%)	15.5%; increased further by the additional share for transferred functions	55%; increased further by the additional share for transferred functions	70,5%
Real estate sales tax	40%		60%	60%

Source: Ministry of Finance

^aCity of Zagreb is a special case since it incorporates both the role of the county and the city.

Annual Decisions of the Government on the minimum financial standards prescribe the criteria and benchmarks for the provision of minimum financial standards for each decentralized function, the basis for the annual commitment of local and regional self-government units for each of the transferred functions.

According to data from the Ministry of Finance, the share of local and regional budgets in the consolidated revenues of the general government has increased from 14,6% in 2004 to 16,4% in 2009 (Malekovic, Puljiz, Bartlett, Tišma, Funduk, 2011). The changes in distribution of income tax between the central, regional and local levels which took place in 2007 ensured a higher share for local and regional units and therefore helped their financial position. To compensate for the loss of

revenues, the central state took over all the revenues from the profit tax which was previously shared among the central, county and local levels. The end result of these changes was higher tax revenues for a huge majority of local units while only the City of Zagreb and some other local units with significant revenues from profit tax claimed to be “losers”.

The financing of responsibilities transferred since 2001 has been mainly arranged in such a way that local and regional units are obliged to cover the costs of material, energy, utilities, current maintenance and other miscellaneous expenditures while wages for personnel continue to be financed from the central budget. On the other hand, capital investments are usually jointly financed by the central, regional and local authorities but, on a case-to-case basis, with no pre-fixed co-financing shares. A major problem with such fiscal decentralization is that the transfer of responsibilities has not been followed by an adequate allocation of the financial means. The problem has become acute in the last two years, stemming from a strong increase in energy prices, and decreased revenues from income tax, forcing units to allocate more and more funds from their own resources (Malekovic, Puljiz, Bartlett, Tišma, Funduk, 2011).

The Government of the Republic of Croatia announced a comprehensive public administration reform at the beginning of its mandate including local self-government reform. The reforms are aimed at creating preconditions for a more rational, better quality and more transparent public administration and at increasing the accessibility and quality of services for the benefit of all citizens. The Ministry of Public Administration initiated and developed *Guidelines and Principles for Functional Decentralisation and Territorial Reorganisation* that are based on the subsidiarity principle and recommend partnership between all levels of government. These comprise three basic, equally important and interconnected components: functional decentralisation, i.e. the transfer of powers and competences from the central to lower levels of government; fiscal decentralisation, i.e. transfer of certain resources to local and regional self-government units for the financing of public powers; and territorial reorganisation, i.e. finding an optimal territorial organisation model for public services.

In this regard, the task of preparing territorial reorganisation models as a first step needs to be undertaken as soon as possible, followed by the legitimisation and selection of a model by the end of 2011. The further tasks to be taken relate to the normative framework development, i.e., preparation and adoption of the most relevant regulations on the new territorial organisation as well as those related to financing. Finally, the preparation and adoption of the sector regulations will be a key issue, since it relates to the implementation of all mentioned and, according to plans as set by the respective Ministry, the process would need to be finalised by summer 2013.

The issue of effective coordination as well as effective adherence to the principle of partnership will be of key importance in achieving the government’s aims.

The Law on Financing Public Needs in Culture (amended in 2009) classifies public needs which can be financed in three ways: from the budget, from public funds and through public enterprises. General laws regulating the financing of culture include the Law on Financing Public Needs in Culture (1990 amended in 1993 and 2009) and subsequently adopted Rules for Determining Cultural Projects Reflecting Public Needs and the Law on Cultural Councils (amended in 2009).

The major change in the cultural policy system has been the adoption of the Law on Cultural Councils (2001) and its subsequent changes (2004, 2009). Cultural Councils were first introduced in 2001 as semi-arm's length bodies, independent in making decisions about the distribution of funds. However, the Ministry of Culture managed and distributed subsidies. With the 2004 legislative changes, Cultural Councils became consultative bodies to the Minister of Culture with reduced autonomy but a similar mandate: i.e. proposing goals for cultural policy and measures for achieving them, offering professional assistance to the Minister of Culture, working out a long-term national cultural programme and giving opinions on the distribution of grants.

The following cultural councils were established: film and cinematography, music and performing arts, theatre arts, visual arts, books and publishing, the new media culture and the council for international relations and European integration. Cultural professionals and artists are members of cultural councils for the above mentioned fields and they give their opinion to the Minister of Culture on annual programs for public needs in culture financed out of the state budget. The Law on Cultural Councils provides for the formation of cultural councils in counties or towns, depending on the decision of the representative body of the county, i.e. the town. While the previous laws offered a possibility for local government to introduce cultural councils on a local and regional level, the new law made this mandatory for all counties and cities with more than 30 000 inhabitants. The intention of the legislator was to contribute to the process of decentralisation, but the effects of this change have not been assessed. This legislation guarantees local cultural self-government in the fields of archives, libraries, protection of cultural property and the theatre. Currently there are seven (7) cultural councils operating in the County of Istria.

Besides existing cultural councils, there are other councils and committees established by the government having direct and indirect impact on the formulation of cultural policies such as the government committees for national minorities, youth, gender equality, civil society and others. The internal cooperation between different councils and committees is rather low.

The economic recession in Croatia resulted in significant cuts in the budget of the Ministry of Culture for 2009. In 2008 the budget was raised to 163.384.371 Euros, but in 2009, due to the recession and the government programme of restrictions, the planned budget was cut to 143.229.449 Euros which is even lower than the budget in 2007. The anti-recession measures, such as the increase of VAT from 22% to 23% and the "crisis tax" of 2-4% (on salaries), have and will have further impact on the cultural field. In 2008, 2009 and 2010, sponsorship and grants to culture were reduced and, in some cases, even stopped. In 2010, as part of activities for economic development, the government introduced a programme for assistance to entrepreneurs with financial difficulties which is open to entrepreneurs in culture as well.

Table 2: Public cultural expenditure by level of government, in %, 1999, 2000 and 2009

Year	1999	2000	2009
Ministry of Culture	38	43	42
Towns	30	27	25
City of Zagreb	24	22	26
Counties	5	5	4
Municipalities	3	3	3
Total	100	100	100

Source: Ministry of Culture of the Republic of Croatia.

The share of public cultural expenditure by level of government has not changed significantly since 2000.

Table 3: State cultural expenditure: by sector, in HRK, financial plan for 2009

Field/domain/Sub-domain	% of total
Management and Administration of Ministry	7.81%
Programme activities of the Ministry	19.57%
<i>Basic Activities of NGOs in Culture</i>	2.79%
<i>Awards in Culture</i>	0.78%
<i>Health, Social and Pension Funds for artists</i>	22.04%
<i>Croatian Heritage Association and Matica Hrvatska</i>	6.01%
<i>International Cultural Cooperation</i>	6.82%
<i>Informatisation of Cultural Institutions</i>	0.73%
<i>Costs of Building for Croatian Historical Museum</i>	11.73%
<i>Building, Maintenance and other Costs of Cultural Institutions</i>	46.42%
<i>National Programme of Digitalisation</i>	0.73%
<i>Other (CCP, UNESCO Commission etc.)</i>	1.95%
Protection of Nature	6.81%
Archive activities	7.14%
Museum and Gallery Activities	9.26%
Performing Arts	12.42%
Library activities	5.83%
Audio-visual activities and Media	7.16%
Activities of Protection of Cultural	24.00%
TOTAL	100.00

Source: Ministry of Culture of the Republic of Croatia, data available at: <http://www.min-kulture.hr/default.aspx?id=4819>

The Ministry of Culture (at the national level) and larger cities (at the local level) are major founders of international cultural cooperation projects and initiatives. The Ministry of Culture operates all major instruments used in international cultural relations including state guarantees, bilateral agreements and programmes as well as sector-specific agreements such as co-production agreements. In 2009, the allocation of the Ministry of Culture for international cultural cooperation was around 1.917.800 Euros compared to 2.528.169 Euros in the previous year.

The sponsorship of cultural events has been rising in the last couple of years but there is no systematic evaluation of this trend. Support for cultural events is shown in a number of cases as compensation in goods and services rather than monetary support. Both public and private cultural consumption are not continuously nor systematically monitored. The absence of this kind of information affects the quality of decision-making, especially decisions aimed at decreasing the existing disproportions in the level of cultural development throughout Croatia.

In 2000, several laws were changed and amended to reflect the intentions of the new government to embark on a process of decentralising responsibility for culture. The right to appoint and approve directors and to found a public institution has been transferred from the state to the counties, towns and municipalities. Cultural institutions are now usually founded by towns, more rarely by counties, and sometimes by the wealthier municipalities (municipalities that have enough budgetary resources to be able to finance these institutions). The status and number of state-owned institutions has remained almost unchanged. The experiences in privatising culture industries markedly slowed down or stopped the process of privatisation. The main reason was a lack of investor interest in the cultural sector considering that it is still not regarded as profitable. However, public cultural institutions have not been closed as the legislation in force prescribes that every decision to close an institution must be approved by the Ministry of Culture.

Since November 2006, income tax is no longer collected in the cities where companies have their headquarters but rather in the cities where the income is being made. This could have some impact on the funding of culture but the recent data available does not provide enough information on the new situation. The establishment of a number of NGOs in culture is a result of the newly emerging partnerships. In 2000, co-operation was established between the Ministry of Culture and the Open

Society – Croatia (Soros Foundation), a partnership that offered significant support to the non-profit cultural sector.

There has been a significant increase in the number of cultural festivals and manifestations in the last two decades. Alongside traditional festivals and events, new partnerships have emerged. Some of these traditional events established themselves as cultural institutions. New partnerships forged from private and public funds have resulted in important new cultural events that have established themselves on the international scene, such as: Motovun film festival, Zagreb film festival, Dance and Non-verbal Festival San Vincenti, Split Film festival, Urban Festival, Julian Rachlin and Friends Festival.

The role of the local self-government unit is increasing and it has a high influence on local devolvement initiatives in the cultural sector by co-financing various project ideas and their promotion. The Ministry of Culture, as the main government body, has not had a great impact on cultural development. On the other side, the Department of Culture in Istria County is a very powerful actor. They initiated the establishment of the Istrian cultural parliament that bring together all cultural institutions and individuals and the Museum Network of Istria. Istria County has 7 Cultural Council, which generate excellent information flows.

Cultural heritage in Istria is a valuable development resource that can be used for various development projects. Istrian heritage finds its place in the development of tourism, agriculture, SMEs, contemporary art production, education. The structure of existing entities and development plans in different sectors enable the creation of an Istrian cultural district with heritage as a key resource around which various activities can be developed.

Due to its geographic and historical specificities, there is a large potential to involve new partners, some of which are already inclined toward connecting, Istria is becoming a dynamic cultural district where cultural heritage is an important element. However, in the segment of cultural heritage, the cultural policy of the Region of Istria should be focused on public and possible use of cultural heritage.

Even if the Istrian tourism industry is characterized by its orientation toward exploiting its climatic and geographical privileges, i.e. the sun and the sea, we are witnessing the development of offers related to natural and cultural heritage as well. An orientation toward international markets is satisfactory, and, within the Croatian framework, even exceptional (Croatian chamber of commerce, 2007). Several relevant events that attract attention on both national and regional levels have been developed. These are the Motovun Film Festival, Dance and non-verbal theatre festival in Svetvinčenat, Book fair in Pula etc. and also the activities of organizations such as Labin art express in Labin, the Musical Youth of Croatia and the Center for drama arts in Grožnjan, Dante Gallery in Umag, Monteparadiso association and MMC Luka in Pula etc. There is no need to enlist all relevant entities acting in the field of culture and contemporary art in Istria as these few mentioned events and organizations have identified Istria as a reference point and relevant location in contemporary arts and culture production. Activities of these events and organizations can become of exceptional importance for the project of cultural heritage protection as this scene involves cultural heritage in an interpretation and valorization system. Cultural heritage, in this manner, becomes a resource for contemporary arts/culture production. For example, the activity of the Croatian Musical Youth and Center for drama art in Grožnjan, has attracted other professionals to its activities– musicians, artists, cultural managers etc., and therefore placed Grožnjan on world art map. With their activities, Grožnjan is preserved as an Istrian pearl, reflecting on the economy of this little town. Therefore, there are exceptional examples of cultural organizations using cultural heritage not only to enable its preservation but also considerably contributing to its promotion as well as to the development of a micro economy around that heritage. Such examples are also worth following in other cases where an interest from quality organizations to develop their own programmes in dialogue with cultural heritage exists.

The Region of Istria is the leader in the implementation of transforming Istria into a cultural district. Yet, in its implementation, it is necessary to cooperate with all towns and municipalities: with neighboring Slovenia, with the national Ministry of Culture and with other ministries as well (tourism, development, regionalism and agriculture) and with various bodies within European Commission. One key actor in this can be identified as the Istrian Cultural Agency that needs initiation and empowerment for a proactive role in the implementation of cultural policy. Besides the Istrian Cultural Agency, an important role should be given to the Istrian Development Agency and the Agency for Rural Development that have already won the trust of entrepreneurs and the wider public and have more experience in the implementation of development plans. The implementation of these activities, as well as activities aimed at raising awareness on the importance of cultural heritage, is best entrusted to an expert entity that shall closely cooperate with the Istrian Cultural Agency on development plans but shall not be a part of it. This entity could be formed as an institute for cultural heritage and it could be an important generator of not only expertise but also on the technology for cultural heritage protection. As an independent entity this institute would be far more flexible. Public interest could be monitored via governing and/or supervisory bodies.

The SeeNet project is providing knowledge transfer and good practical examples that can be partially implied in the Croatian territory. Moreover, it is exchanging experiences with other cities and regions, particularly with Italian ones. Therefore, SeeNet is seen as a collector of experiences on how local government operates in Italy which is extremely useful although some things cannot be changed due to the lack of institutional framework for its implementation. Moreover, the SeeNet project provides a vision on how things should be arranged, organized and how to prioritise projects. It gives an opportunity to compare given competencies and development initiatives. The programme encourages local development by sharing experiences in different countries and strengthening the competence and administrative capacity of the people who work in local and regional self-government units. On the other hand, the functionality of regional and local self-government units between the countries and also between Istria and Varaždin is different and that could potentially be misleading.

IPA Adriatic is an available financial instrument that can finance development projects which are similar to SeeNet by priorities and territories. The network that was created within SeeNet and project ideas that are being developed can be used in future partnerships in the above mentioned programme. Every new activity within the project could bring some contribution. There are also some possibilities for inclusion of the SeeNet in other local initiatives, i.e. the revival of cultural and historical traditions of the Centre for Historical Research in Rovinj.

SeeNet in general is a positive initiative. However, there is a lack of consistency and general awareness of the project (local administration is not familiar with the project and has no idea what is going on in the project). This is tied to organizational issues within the project and expectations from the Croatian partners. Activities are not consistent and have a more educative character while lacking concrete actions. Moreover, project partners in Croatia receive a very small amount of funds which seems like a step back and not forward as everybody expected it to be.

3. MULTI-LEVEL DYNAMICS

Various institutions at the national level have been actively participating in developing decentralization policy in Croatia. Nowadays, institutions at the lower levels have become more important in relation to the decentralisation process. The cohesion policy and pre-accession

assistance have had a relevant role in raising legitimacy, institution building and capacity development in Croatia. The establishment of local and regional institutions and transferring the obligations to already existing ones was very important due to the fact that institutions supporting development at lower levels were, until recently, excluded from the process or non-existent. Among other reasons, this was a consequence of the hierarchical, bureaucratic and centrally controlled approach to planning as well as a lack of awareness as to their possible role in promoting developmental change at the local and regional level. This encouraged the development of new local and regional institutions and is a result of the awareness that absorption capacity needs to be raised particularly at the sub-national levels since the regional, and in particular, the municipal levels will be the ones to draw the bulk of available funds upon accession.

The existing as well as new institutions will thus serve as instruments in the respective local communities and regions empowering them, by way of enabling joint cooperation with local and regional self-governments, institutions and actors in taking over more relevant responsibilities and functions. Such a role for regional institutions is relevant in further supporting the process of decentralisation and contributes directly to socio-economic development, regional competitiveness and good governance on lower levels. One of the preconditions for achieving this will be the further development of partnerships at the local and regional level, as well as among them, and among lower levels with regard to central government institutions and bodies. It is expected that the culture of partnership will be further developed in Croatia by way of the introduced Partnership Councils on the NUTS 2 level (Maleković, Puljiz, Bartlett, Tišma, Funduk, 2011). According to the new Law on Regional Development, these Councils are to have an important role in the defining of development priorities at the NUTS 2 level for regions and proposing lists of development projects. The creation of such regional bodies, in line with similar bodies established in EU member states, is expected to have positive effects on raising responsibility and “ownership” of local and county bodies for the development of the wider regions.

Decision-making and the implementation of cultural policy involve procedures and interactions between the Ministry of Culture, the government and the Parliament, on the one hand, and consultative cultural councils, local government and self-government, cultural institutions, NGOs, and individual artists and their associations, on the other.

The Ministry of Culture drafts laws and other important documents which the government then passes on to the Parliamentary Committee for Science, Education and Culture. When cleared, they undergo parliamentary discussion and enactment. The Ministry of Culture plays a part in drafting the budget and decides on the allocation of budgetary funds to various cultural fields.

The Cultural Heritage Protection Department within the Ministry of Culture is the competent body for performing administrative and expert duties connected with the protection and preservation of cultural goods. The Cultural Heritage Protection Department comprises the central headquarters in Zagreb and 19 conservation departments for the regions, covering the whole Croatian territory apart from the City of Zagreb which comes under the authority of the Municipal Institute for the Protection and Restoration of Cultural and Natural Monuments. The Department is responsible for establishing the protection of cultural property, identifying and implementing protective measures, and supervising the implementation of such measures.

As result of the war's destruction, the need for conservation professionals has increased considerably. Also, as a result of the increase in the number of local conservation offices, younger conservators are missing out on the experience to be gained from older colleagues. There is also a lack of financial motivation for graduates to remain in conservation institutions. Currently, there is little specific conservation training within the country; this is mostly undertaken on an individual basis outside Croatia, for example in Italy and UK.

On the other hand, the role of Local Conservation Departments seems to be questionable at the moment. In the process of restoration of cultural heritage, they are conserving cultural heritage only

by applying their strict rules (which are rigid in terms of time and finance) and are not open to cooperation nor to contributing to the sustainable promotion of cultural heritage. In general, the Ministry of Culture has a strong will for cooperation while rigidity exists in the process of restoring cultural monuments. Standard procedures by local conservation department are followed blindly even at the cost of deterioration of monuments due to restaurateurs demands. Local Conservation Departments support the preparation of project proposals jointly with local self-government units as various funds are not adequate, data are not available and everything is happening ad-hoc which leads to the project's cancellation. Furthermore, newly discovered or already existing historical-cultural monuments need to go through rigid conservation measures. Due to high conservation costs, monuments are often placed under fence, waiting for some "better time", when the Local Conservation Department will have more money to implement conservation measures on the specific monument. Another issue is that Local Conservation Department representatives change their opinion very often Project applications for international funds brings additional sources and therefore these projects should have the priority in respect to private houses. In this case, unfortunately, local conservators have the final decision which opens tremendous space for corruption since they do not need ministerial approval. As a consequence, local conservators often do not give adequate priority to international projects.

The supervision of the application of legal regulations, in practice, is a matter for the Inspectorate Section of the Cultural Heritage Protection Department. This section monitors the status of cultural property and the implementation of measures to protect and conserve them, the utilisation of and trade in cultural items and, in particular, the performance of conservation, restoration and other similar works on cultural heritage items and their environs, archaeological excavations and research projects, including underwater excavations and shipwreck recovery.

Information and documentation in the field of heritage protection (development of an information system for the cultural heritage and a national inventory of the Republic of Croatia's cultural property) is carried out by the Cultural Heritage Information and Documentation Service that is separate from the Department's organisational set-up for cultural heritage protection.

The Ministry of Culture regularly co-operates with other ministries to bring general and related laws into harmony with cultural legislation. They also co-operate in fields in which the competencies of various ministries are involved, such as the protection of cultural heritage (with the Ministry of the Interior), conservation and protection of historical town centres (with the Ministry of Environmental Protection, Physical Planning and Construction), drafting media legislation and regulating audio and audiovisual media services and publications (with the Ministry of the Sea, Transport and Infrastructure) and in appointing cultural attachés or organising cultural events abroad (with the Ministry of Foreign Affairs and European Integration). Some important areas of culture, however, do not fall fully under the responsibility of the Ministry of Culture, such as art education, research and minority cultural groups. For example, while the Ministry of Education, Science and Sports takes the lead role for arts education, the Ministry of Culture provides some funding in the form of bursaries for artists and support for continuous education. There is a shared responsibility for research between these two Ministries. The Ministry of Culture and the Government's Office for National Minorities share responsibility for ethnic minority cultural groups.

The Ministry of Culture is working with the Ministry of Tourism which is providing the funding for the potential development of smaller historic buildings as hotel accommodations. Tourism is economically one of the most important factors in the development of prosperity for the country. Collaboration with the Ministry of Tourism is planned to be developed further, contributing towards cultural heritage becoming a sustainable factor for the economic development of local communities.

Prospects for closer inter-ministerial co-operation are hindered by the strict sectoral division of activities. The only links are financial and economic, i.e. the budget and economic growth, and the

issue of EU membership, which has been singled out as the common goal. Co-operation between national, regional and municipal levels of government continues to be a very important segment of cultural policy, particularly when it comes to investment projects in renewing old institutions or building and setting up new cultural institutions such as libraries, archives, museums and theatres.

Due to the war in Croatia, cultural institutions have been affected by physical damage, destruction and theft of museum property, a decrease in the number of professional staff and a drastic fall in the number of visitors. In 1998, museums became independent and definitions were given for institutions that could work as museums or care for the movable cultural heritage, for standards of computer networking, supervision over work and professional levels. The museums and archives responsible for cultural heritage protection co-operate with the Cultural Heritage Protection Department in registering and evaluating movable cultural items and archaeological finds. Universities occasionally co-operate by sending representatives to the Ministry of Culture's committees of experts and students take part in Summer Schools in Universities on conservation and in fieldwork aimed at registering cultural items. The government, together with local authorities, is investing in the construction and reconstruction of new museums and galleries. While investment in cultural infrastructure is seen by many as very positive, there is also some criticism expressed by those who believe that there is no adequate investment in modernisation and strengthening of the capacities of existing museums.

One of the greatest weaknesses in the treatment of heritage in Croatia was the relative neglect of traditional rural heritage. The interest in old traditions and public resources diminished while the development investment has been concentrated in a limited number of areas thus marginalising others. It should be stressed that rural heritage was one of the priorities for the programming of EU pre-accession funds in Croatia which supported a professionalised approach to rural heritage.

There is no overall legal framework to specifically promote and develop cultural industries. The legal provisions that affect the culture industries refer to specific cultural sectors (book production, music, films, etc.) and to economic sectors, e.g., small entrepreneurship, activities of transnational media corporations in Croatia, etc. In October 2008, the first attempt at supporting culture industries as a specialised field of cultural production was launched by the Ministry of Culture in cooperation with the Ministry of Economy, Labour and Entrepreneurship. The competition for funds to cover the costs of technological equipment, administrative and office expenses etc. was opened and over 450 cultural entrepreneurs applied to the call. A total of 280.000 Euros was distributed to over 70 cultural companies and organisations in the first year of the project and 560.000 Euros in 2009. Due to the financial crisis, the call was not opened in 2010.

The culture industries are statistically not transparent nor are they perceived, by the public, as a profit-driven sector. A lack of appropriate statistics for this sector makes it impossible to assess the turnover or employment figures for most culture industries in Croatia.

Regarding the benefits of the SeeNet project, it is always useful to exchange experiences and to encourage research that will lead to new ideas and gain new knowledge. However the project should act with caution in order to avoid a copy-pasting of the existing models in other countries. Croatia has been traditionally decentralized with strong cities as development holders. It is hard to cross-compare the ongoing process in other sectors, e.g. the development of transport infrastructure greatly affecting the development and level of decentralization in culture.

SeeNet could be very useful in transferring experience from the Veneto Region but also for the networking of people and institutions. It can benefit in terms of management skills, the management of museums, how to set up the exhibition, etc. SeeNet can give some ideas on how to strengthen the capacity of local self-government units, rather than the process of decentralization. It can transfer examples of good practices that could be applied on the Croatian territory.

However, Italian knowledge cannot be copy-pasted to Croatia since Italy has had a long entrepreneurial tradition also in the cultural sector. Under the system of cooperatives at the local

level, everyone is involved in the promotion of cultural tourism and are selling the whole package – the region. Due to the transparent policy, taxes paid at the local level should be return back to the local level in order to foster development initiatives (Maleković, S., Puljiz, J., Bartlett, W., Tišma, S., Funduk, M.; 2011). So far, the private sector has not been enrolled in cultural activities and is not investing in it. Therefore, Italian experiences are an excellent tool to show us how to mobilize all the stakeholders in order to have an efficient cultural management structure.

4. CONCLUSIONS

The ongoing decentralisation process in Croatia is not visible, in terms of fiscal and administrative decentralisation, where local units are limited in their autonomy to carry out administrative and fiscal functions. Even ten years after the first steps towards fiscal decentralization, the real effects, with regard to the quality of transferred public services and their cost efficiency, are still not clear. A systematic analysis that could provide an answer to these issues is still lacking although some selective evidence points to the conclusion that local units have significantly improved their efficiency in the delivery of transferred functions. The process of decentralisation needs to pay special attention to creating larger local units which would be likely to be more efficient than the existing counties in managing decentralised functions. By creating larger units, the unequal capacity for implementing decentralised functions, can be reduced (*Guidelines and principles for functional decentralisation and territorial reorganisation*, Ministry of Public Administration, 2010). Moreover, an effective decentralization process will not be feasible without creating the necessary preconditions implying local and regional units with adequate capacities and human resources.

At the moment the process of decentralisation in Croatia relates, to a great extent, to the public administration reform which the Government announced at the beginning of its mandate in 2007. The reform aims at creating preconditions for a more rational and more transparent public administration and at increasing the accessibility and a more effective and efficient quality of public services. The basic approach and major principles of the future reform have been presented in the *Guidelines and principles for functional decentralisation and territorial reorganisation* (Ministry of Public Administration, 2010). According to the Guidelines, the key objective of the current local and regional self-government reform is to achieve a more rational, better quality and more efficient local and regional self-government as well as to improve accessibility, speed, quality and cost of the services provided by local and regional units.

The Guidelines identify three basic and interconnected components of the reform process: functional decentralisation, fiscal decentralisation and territorial reorganisation, i.e. finding an optimal territorial organisation model for public services. Limited fiscal capacities and a lack of human resources, i.e. poor capacity in most local self-government units, are seen as major obstacles for the further process of decentralization. While the former could be relatively easily tackled with changes in the fiscal system, the latter represents a major problem. This is particularly the case in the numerous smaller units in less developed counties. Thus, there is a common understanding that it is not possible to concede more powers to towns and municipalities without substantial interventions in territorial organisation.

Although decentralization has often been a hot topic for political and experts' debates, nevertheless, ten years after the first steps towards fiscal decentralization the real effects with regard to the quality of transferred public services and their cost efficiency are still unclear. Systematic analysis that would provide an answer to these issues is still missing, although some selective evidence

points to the conclusion that local units have significantly improved the efficiency in the delivery of transferred functions.

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Decentralisation, power of local self-government and multi-level dynamics in Peja/Peć Municipality

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Assignment done under the CeSPI guidance**

Second report

June 2010

SeeNet Programme

A trans-local network for the cooperation between Italy and South East Europe



EXECUTIVE SUMMARY

This report offers an analysis of the dynamics of development and decentralisation in the mountain tourism sector in Pejë/Peć. It starts by providing an overview of the historical development of local self-government in Kosovo from post-World War II Yugoslavia to the Milosevic period to the UNMIK period to the current post-independence period. It concludes that Kosovo is confronted with a decentralised system of local governance, the likes of which it has not seen in recent history. This system has been mainly pushed for by the international community and the system and government officials are still adjusting to this system.

For mountain tourism in Pejë/Peć, the change to the current system is even more drastic, since there was little to no development in the tourist sector during the Milosevic and early UNMIK period, which means that much tourism policy has had to be developed from scratch in the last few years.

The report continues to describe the financial autonomy of the municipalities in Kosovo, which is considerable in the competencies specified as ‘own competencies’ of which tourism is one. However, municipal and central level funds for tourism are limited, and, by far, most investments in this sector are made by international actors, mainly through the SeeNet and European Commission projects.

SeeNet has been received quite positively, both for the initial results it has produced, for the effective coordination it has undertaken with the European Commission, and mostly for the sustainable approach it advocates and implements. Interviewees have expressed the hope that the SeeNet approach will be expanded to other close by geographical areas.

Finally, the report focuses on the multi-level dynamics with regards to this sector. It concludes that due to Kosovo’s decentralised system and a lack of capacity, the central level government plays a very limited role in tourism at the municipal level. At the municipal level, communication between actors is generally open and NGOs, international donors and municipal government share a vision of (environmentally) sustainable tourism development. However, the municipal government lacks the capacity to enforce this vision, the consequences of which are already visible in the unregulated development driven by SMEs, which can only get worse unless regulatory capacities are strengthened.

1. DECENTRALISATION: THE LEGAL/INSTITUTIONAL AND POLITICAL FRAMEWORK

In Kosovo, municipalities carry the primary responsibility for tourism at the local level. This is the consequence of the decentralisation process put in motion through the Comprehensive Proposal for the Kosovo Status Settlement (Ahtisaari Proposal), as submitted to the UN Secretary General by the then UN Special Envoy, Martti Ahtisaari, on March 26th, 2006. Although the Ahtisaari Proposal was rejected by Serbia, it was fully accepted by Kosovo in its declaration of independence on February 17th, 2008.

The Ahtisaari Proposal states that “Local self-government in Kosovo shall be based upon the principles of the European Charter of Local Self-Government and in particular, the principle of subsidiarity”¹⁵⁹ and also specifies that tourism falls fully and exclusively within the municipal competencies.¹⁶⁰ These principles have subsequently been enshrined in the Law on Local Self

¹⁵⁹ Annex 3, Article 1.1, Comprehensive Proposal for the Kosovo Status Settlement.

¹⁶⁰ Annex 3, Article 3.1, Comprehensive Proposal for the Kosovo Status Settlement.

Government, which is currently the primary legislative act governing local self-government in Kosovo.¹⁶¹ This means that municipalities in Kosovo have the full authority to, within the boundaries of Kosovo legislation, assign funds to and make policy on tourism in their territory.

Historically, the system of local self-governance as instituted through the Ahtisaari Proposal and the Law on Local Self-Government is the first truly decentralised local government system Kosovo has experienced in its post-World War II history.

The local governance system in place during post-World War II Yugoslavia did allow, particularly compared to other communist states, a measure of local autonomy. However, as all forms of government were firmly under the control of the Communist Party, this cannot be referred to as true decentralisation, as there was no genuine democratic voice at the local level.

The situation drastically changed following the rise of Milošević in 1987 and the abolition of Kosovo's provincial autonomy in 1989. The relative local autonomy enjoyed under Yugoslavia was almost fully abolished by the Milosovic government throughout Serbia and Montenegro, and central level control was particularly severe in Kosovo, due to political reasons.¹⁶²

Additionally, it is also important to note that during the period 1989 – 1999, Albanian community members were dismissed from state institutions in large numbers, and, as a consequence, the Albanian community (a majority in Kosovo) was largely excluded from official institutions and 'parallel' governing structures were developed during this period, largely funded through the large Albanian diaspora community. This resulted in a largely centralised system of local governance that largely excluded the Albanian community from the local decision making process.

The Milošević system ended following the 1999 conflict, the NATO intervention, and the establishment of the UN Interim Administration Mission in Kosovo (UNMIK) on June 10th, 1999 by Security Council Resolution 1244. UNMIK was given the authority to administer the territory of Kosovo until a resolution between the Kosovo Albanians and Serbia could be reached. As such, UNMIK developed institutions and legislation to turn Kosovo into a functioning territory. In order to regulate local self-government, UNMIK, on August 11th, 2000, passed a regulation on Self-Government of Municipalities in Kosovo (Regulation No. 2000/45). This regulation also subscribed to the European Charter of Local-Self Government and defined tourism as a municipal competency.¹⁶³ The Ahtisaari Proposal was, up to a large extent, based on this regulation, but there were some significant differences between the local governance system foreseen by the Ahtisaari Proposal and the system foreseen by UNMIK. Most importantly, even though UNMIK had developed a decentralised system of local governance, the level of autonomy of municipalities was severely limited by the fact that UNMIK, through the Special Representative of the Secretary General and the Municipal Administrator, still carried the final responsibility for all policy made at the municipality.¹⁶⁴

As described above, this historical overview shows that Kosovo has only had a truly decentralised local governance system since 2008, in the sense that this was the first time that local governments carried full executive authority in the areas of their competencies and were directly accountable to the local community rather than to the communist party (during Yugoslavia), the national government (under Milošević) or the international community (UNMIK).

Another conclusion that can be drawn is that decentralisation in Kosovo has been mainly driven by international actors through UNMIK, and later through the Ahtisaari Proposal, the implementation of which is overseen by the International Civilian Office (ICO).

¹⁶¹ Article 17, Law on Local Self Government.

¹⁶² The Kosovo Decentralisation Briefing Book, p. 21.

¹⁶³ Article 3.1, Regulation on Self-Government of Municipalities in Kosovo (Regulation No. 2000/45).

¹⁶⁴ Sections 47 – 48, Regulation on Self-Government of Municipalities in Kosovo (Regulation No. 2000/45).

The international community also has supported the decentralisation process through a variety of projects, including but not limited to the “Local Governance and Decentralization Support” (LOGOS) project supported by the Swiss Cooperation Office in Kosovo, the “Effective Municipalities Initiative” (EMI) Program, supported by USAID and the “Support to Decentralisation in Kosovo” (SDK) project, implemented by UNDP. The majority of these initiatives were focussed on supporting the creation of new Serb-majority municipalities and improving local governance through, for example, the development of municipal development plans.

Among citizens of Kosovo and local political parties, decentralisation is often associated with the political process of the creation of Serb-municipalities rather than the promotion of effective governance through the decentralisation of competencies from the central to the local level. This has led to a situation where the main political parties at the central level support the decentralisation process because it is part of the Ahtisaari Proposal not because they support it on policy grounds. Also, many local units of the same political parties have strongly and publically opposed the process, particularly in the areas affected by the creation of new municipalities. It has to be noted that one political party (and former protest movement) ‘VETËVENDOSJE!’ has consistently campaigned against the process arguing that it will lead to ethnic separation.

Moreover, the European Union has also given firm support to the local government reform initiated by UNMIK and Mr. Ahtisaari. The specific format of local self-government chosen by these actors was largely based on the European Charter of Local Self-Government, which, although not strictly a European Union (EU) document, does have its strong support. Compliance to the Charter and progress made with regard to the decentralisation process are important measurement tools regarding local government compliance to EU standards as assessed in the yearly progress report of the European Commission.¹⁶⁵ The Kosovo Government is strongly pro-Europe, driven by the prospect of Kosovo becoming an EU member in the medium-term which is why such importance is given to the European Commission Progress Report.

In regards to the tourism sector in Pejë/Peć, some specific remarks have to be made. Tourism, and particularly mountain tourism, although present during the Yugoslavia period, received practically no investments during either the Milošević period nor during the early UNMIK years when the primary focus was on humanitarian relief and reconstruction. Therefore, when interest in mountain tourism in Pejë/Peć was revived over the last few years tourism policy had to be developed from scratch. This means that with regards to the tourism sector, it is not realistic to speak of a transformation from a centralised to a decentralised system but it is more realistic to speak of a transformation from a situation where there was no policy (be it municipal or central level) on mountain tourism to a situation where this policy has to be developed in the current decentralised system. This has, in turn, led to a situation, as will be explained in the following chapters, where the municipality does not have sufficient capacity to regulate the sudden development, where international donors are the most important drivers of development and where the central level also lacks the capacities to provide the necessary legislative and policy guidance and investment in necessary infrastructure.

2. POWERS AND RESOURCES OF LOCAL SELF-GOVERNMENT UNITS

In Kosovo there are only two levels of government, the central government and the municipalities. The Law on Local Government Finance defines the sources of finance a municipality in Kosovo can have access to:

¹⁶⁵ Kosovo 2010 Progress Report, p. 8.

“(I) own source revenues (...), (ii) operating grants, (iii) grants for enhanced competencies, (iv) transfers for delegated competencies, (v) extraordinary grants, (vi) financial assistance from the Republic of Serbia, and (vii) proceeds from municipal borrowing”¹⁶⁶

In practise the vast majority of revenues of Kosovo municipalities come from the operating grants given by the Ministry of Local Self-Government (MLGA). For example, Pejë/Peć’s budget projection for 2011 foresees little over 13% of its total revenues coming from their own revenues (local taxes, public money collected by the municipality, including donations by foreign organisations) with most of the rest of the revenues coming from operating grants.

Operating grants is a general term for three different types of grants received by each municipality from the MLGA: “(i) a General Grant, (ii) a Specific Grant for Education and (iii) a Specific Grant for Health”¹⁶⁷. Each of these grants is calculated through a formula defined in relevant legislation and based on objectively measurable indicators (such as total population, total number of schools and total number of health facilities). Moreover, the municipality has full authority to utilize these funds according to its prerogative within the limits of Kosovo legislation. As the names imply, the specific grant for education must be spent on education and the specific grant for health must be spent on the provision of health services. The municipalities can spend the general grant in the discharge of any of their municipal competencies, again, within the limits of Kosovo law. The Law on Local Government Finance does specify that a municipality must:

“(i) provide for a reasonable degree of stability in municipal income, (ii) provide for an appropriate measure of equalization between municipalities, (iii) take into account the respective ability of the inhabitants of each municipality to access public services, and (iv) provide an adequate allocation of resources for the non-majority communities in the respective municipalities”¹⁶⁸

It is important to note that although the MLGA allocates the operating grant to the municipalities, this, theoretically, should not give it any authority to decide on how this money should be spent except to ensure that the spending occurs in compliance with Kosovo legislation.

Since tourism is a full and exclusive competency of the municipality, its financing will mainly come from the operating grant and, specifically, the general grant. Out of Pejë/Peć’s total budget for 2011 of around 17.6 million Euros, it has allocated around 95 000 Euros to be spent on tourism, from which around 60% is projected to be spent on mountain tourism. These funds will be spent through the municipality’s Tourism Department, within the directorate of finance, economy and development¹⁶⁹. This department has two employees and operates the municipality’s information centre. It can be concluded that both the financial and human resources allocated by the municipality, although significant by Kosovo standards, are still limited with regards to the competencies which they have to perform.

Besides the municipality there are no other major local public actors active in the tourism sector in Pejë/Peć, since all major public companies in this sector have been privatised, a process that started under UNMIK and continued under the Ahtisaari Proposal.

In practise there are three other relevant actors operating at the local level with regard to mountain tourism in Pejë/Peć; small to medium sized enterprises (SMEs); local NGOs; and, international donors, most importantly but not limited to, the European Commission and SeeNet.

Coordination of these actors and local tourism initiatives takes place up to a certain extent at the local level through a municipal development plan and coordination meetings on specific issues. However, most of these mechanisms are limited to meetings organised in line with specific projects or issues. There is no permanent coordination mechanism at the municipal level. Moreover, the local actions are not coordinated to the central level. Because the national tourism strategy has not

¹⁶⁶ Article 7.1, Law on Local Government Finance.

¹⁶⁷ Article 23, Law on Local Government Finance.

¹⁶⁸ Article 24.1, Law on Local Government Finance.

¹⁶⁹ For the organigram of municipality see: <http://kk.rks-gov.net/peje/Municipality/Organogram.aspx?lang=sq-AL>

yet been approved it cannot provide guidance to municipalities which, as a consequence, develop their plans independently of the central level unless there is an explicit need to cooperate.

The SMEs are mostly restaurants and hotels which operate separately from each other (i.e. they are not organised in any form of association or representative organisation). Moreover, they are strongly focussed on taking advantage of immediate opportunities and, for the most part, do not operate within the framework developed by the municipality, NGOs and international donors.

The local NGOs are mostly small organisations (less than five employees) that function mostly as implementation partners of international donors. In other words, they get most of their funds through implementing projects for international donors. As such, most also offer touristic services such as hiking tours. They mostly share a vision of the (environmentally) sustainable tourism development. Most have been operating for several years now, have developed considerable expertise in this field and are well known to the municipality.

The international donors are mostly present in this sector through projects which they implement through the local NGOs described above. These are the biggest single investors in mountain tourism in Pejë/Peć and as such they have a significant voice in the development of tourism policy, in which they mostly share the vision of the NGOs for (environmentally) sustainable tourism development.

SeeNet is one of the biggest projects aimed at the tourism sector in Pejë/Peć, together with initiatives carried out by the European Commission. All actors interviewed had a positive impression of the project implemented by SeeNet. Specifically, they were highly appreciative of the SeeNet approach, which according to them, involved building on past activities conducted by other actors and its focus on establishing a sustainable chain of development by first focussing on capacity building trainings (of tour operators, guides, etc.) and establishing a sound tourism infrastructure (routes for hiking, biking, and hostels), and then the development, promotion and sale of the tourism offers. This approach contrasts with other previous donors who often had only financed one part of the development chain and left the other parts to other actors. Also, the interviewees were positive regarding the coordination between SeeNet and the European Commission project “Dukagjini Valley and Rugova Valley Access Project” which resulted in both actors taking a similar approach to tourism development but focussing on different geographical areas in the Pejë/Peć region. Finally, although it is too early in the project to conduct a full evaluation, the interviewees were positive regarding the initial results: the delivered capacity trainings and mountain equipment.

The one weakness raised was the lack of cooperation between the SeeNet project and other areas of the Pejë/Peć region. It is believed that the Pejë/Peć region has much touristic potential in other geographic areas and that these areas could benefit from the SeeNet approach.

Related to this are the opportunities that interviewees saw for SeeNet: several interviewees saw the potential for expansion of the project to include support the establishment of cross border activities with the Rozhaja area in Montenegro as foreseen in the Municipal Development Plan.

In conclusion, SeeNet is seen as a good initiative both because of the sustainable results that are anticipated and because of the SeeNet approach which, it is believed, should already be seen as a best practise in tourism development in Kosovo.

3. MULTI-LEVEL DYNAMICS

As explained in brief in chapter 2, Kosovo has had a decentralised system of government since its independence in 2008 based on the system put in place through UNMIK’s regulation on Self-

Government of Municipalities in Kosovo. Currently, the relations between the central and local level in Kosovo are mainly governed by Article 10 of the Law on Local Self Government.

Before going into the details of the interactions between the central and local level it is necessary to distinguish between the different competencies municipalities in Kosovo have; own competencies, delegated competencies and enhanced competencies. Also, a short explanation of the principle of subsidiarity is necessary.

Own competencies are competencies specifically assigned to municipalities through relevant legislation and for which the municipalities carry full responsibility as far as “they concern the local interest and in accordance with the law”.¹⁷⁰ Delegated competencies are competencies which are the responsibility of the central government “the execution of which is temporarily assigned by law to municipalities”.¹⁷¹ Finally, enhanced competencies are comparable to own competencies, with the difference that they are assigned only to specific municipalities, in practice primarily Serb-majority municipalities.

One note has to be made regarding the Rugova Valley. This area is part of the Albanian Alps which have been classified as a national park which means that it falls under the authority of the central level government as ruled by the Law on Nature Conservation. Accordingly, all activities and initiatives planned for this area have to be coordinated with the central level government.

There is a significant difference in the central level – local level dynamics between delegated competencies on the one hand and enhanced and own competencies on the other. With regard to enhanced and own competencies, the municipality carries the full authority to develop and execute policy as it decides within the boundaries of Kosovo’s laws. In the case of delegated competencies, the municipality is merely the agency executing policy developed at the central level, and its autonomy to act is therefore much more limited.

The institutions responsible for overseeing the municipalities also differ between delegated and enhanced and own competencies. Own and enhanced competencies are supervised by the MLGA unless another agency is specified by law.¹⁷² Delegated competencies are supervised by the institution which delegated the relevant competency.¹⁷³

The differences between delegated and own and enhanced competencies are best expressed through the authority of the central level regarding the different competencies, specifically the role the supervisory agency has in relation to the different competencies. With regard to own and enhanced competencies, the municipality has full autonomy in its actions within the constraints of Kosovo law, and the supervisory agency authority is limited to the review of the legality of the actions of the municipality.¹⁷⁴ If the supervisory agency considers a certain act of the municipality inconsistent with Kosovo law, it can request that the municipality reconsider this act. If the municipality rejects the opinion of the supervisory agency, the agency can decide to bring the issue to court which will bring a final decision.¹⁷⁵

With regard to delegated competencies, the supervisory agency has the same authority with regards to the review of legality, however, it is also responsible for reviewing the expediency of the operations of the Municipality. Through the procedure for the review of expediency the relevant institution can repeal or modify a municipal act on the basis of expediency considerations. In this

¹⁷⁰ Article 3, Law on Local Self Government (Law Nr. 03/L-040).

¹⁷¹ Article 3, Law on Local Self Government (Law Nr. 03/L-040).

¹⁷² Article 76.1, Law on Local Self Government (Law Nr. 03/L-040).

¹⁷³ Article 76.2, Law on Local Self Government (Law Nr. 03/L-040).

¹⁷⁴ Article 79.1, Law on Local Self Government (Law Nr. 03/L-040).

¹⁷⁵ Regulated through Article 82 of the Law on Local Self Government (Law Nr. 03/L-040).

case, if the municipality does not do as requested, the relevant institution can take the necessary decision itself.¹⁷⁶

Finally, it is important to note that Kosovo subscribed to the principle of subsidiarity, meaning that “public affairs shall be dealt with as closely as possible to the citizens of the municipality by the lowest level of government that is able to provide public services efficiently”.¹⁷⁷ This means that municipalities, the lowest form of government in Kosovo, have the competency in any area unless the law specifies differently. In practice, the interpretation of the current decentralised system can differ significantly between central and local level institutions, thus, blocking effective cooperation.¹⁷⁸

As mentioned previously, tourism is an own competency and therefore falls fully under the authority of the municipality. In this case, the role of the central level government should be to provide guidance to the municipality through the development of legislation and strategic vision. In practice, the role of the central government in mountain tourism in Pejë/Peć has been limited. The Department of Tourism within the Ministry of Trade and Industry has limited financial resources: it has around 150 000 Euros available for capital projects covering all of Kosovo (i.e. large scale projects not part of the everyday operations of the Ministry) which is only slightly more than the 95 000 Euros available allocated from the municipal budget to the Tourism Department of Pejë/Peć as described earlier.

Moreover, although the Ministry has developed a strategy for 2010 – 2020 on tourism, this strategy has, so far, not yet been seen any implementation. Moreover, little legislative development has taken place with regards to the tourism sector. Currently, there is only the Law on Tourism and Touristic Services, which was only passed on February 11th, 2010. No secondary legislation has so far been developed.

The Law on Tourism and Touristic Services deals mainly with issues of licensing and setting and monitoring of compliance to tourism standards but, in practice, the law has only seen limited implementation. Moreover, the law does not specifically mention mountain tourism and although it refers to rural tourism, it specifies that the specific standards in this field should be set out in a sub-legal act which has not yet been drafted.¹⁷⁹ Since the Department of Tourism is stronger in the area of gastronomy and hospitality (mainly restaurants and hotels/motels) it is possible that it will start to play a greater role in these areas in the future. So far its involvement remains minimal.

In accordance with Kosovo’s decentralised system, the municipality of Pejë/Peć plays a much bigger role in Pejë/Peć’s tourism management and development than the central level. It is also the primary point of contact for international donors active in the area. However, Pejë/Peć’s tourism department, as explained previously, also suffers from lack of financial and human capacity even though it is ahead of most other Kosovo municipalities in this area. Although the budget of the Pejë/Peć Tourism Department is not much smaller than the budget of the Ministry for all of Kosovo, 95 000 Euros remains a limited sum of money. Moreover, as explained above, there are only two officials responsible for tourism, limiting the Tourism Department in the actions it can undertake.

The municipality does try to play a coordinating and strategic role in tourism development in Pejë/Peć, for example, through the adoption of a development plan. However, the lack of capacities makes it hard to ensure the implementation of these plans. In recent months more structured cooperation between different municipalities has started. In September 2010, several municipalities in the Dukagjini region signed a Memorandum of Understanding on cooperation in the tourism sector at the initiative of USAID.

¹⁷⁶ Regulated through Article 84 of the Law on Local Self Government (Law Nr. 03/L-040).

¹⁷⁷ Article 3, Law on Local Self Government (Law Nr. 03/L-040).

¹⁷⁸ Kosovo 2010 Progress Report, p. 9.

¹⁷⁹ Article 25.3, Law on Tourism and Touristic Services (Law No. 03/L-168).

As explained above, the private sector mostly operates through SMEs, operating with little oversight; hotels and restaurants are, for example, often constructed without permits. The private sector has not organised itself in any formal associations and, as a consequence, each enterprise deals with the municipality individually, or, if needed, an ad-hoc cooperation is developed. The fragmented nature of the private tourism sector in Pejë/Peć prevents strong private-public partnerships.

As described above, the tourism NGOs operating in Pejë/Peć are mostly implementing partners of international donors. Although they are usually small in size (under 5 employees), they can be said to be, on the ground, the most active proponents of a strategic approach to sustainable mountain tourism in Pejë/Peć.

The international actors, particularly the European Commission and SeeNet, are financially the largest players in mountain tourism in Pejë/Peć and as such they have a large influence on the tourism policy of Pejë/Peć.

Cooperation between these different actors is generally seen as open and productive, although some problems were highlighted. First, although communication between the central and local level was said to be open, it was also stated that there is a lack of guidance from the central level, which can be explained through the reasons listed above. Second, NGOs identified the unstructured development in mountain tourism driven by private enterprises as problematic as each enterprise focuses purely on its own plans, is primarily driven by short term gain and does not take into consideration the long term and sustainable development of the mountain tourism sector. It should be the role of the municipality to provide the necessary regulation and guidance to ensure that there is such a strategic vision. Although the municipality has a development plan it does not have the capacity to effectively implement this plan or force private enterprises to comply by its standards.

Both NGOs and SMEs work with the municipality on an ad-hoc basis. Cooperation and coordination mechanisms are established when there is a perceived need, for example, due to the implementation of a certain project or the rise of a certain issue. There is no permanent established cooperation and/or coordination mechanism between these actors.

The municipality, in Kosovo's decentralised system, does not have to report to the central level government on any issues except when they fall explicitly under the competency of the central level government, mostly issues related to the 'Law on Tourism and Touristic Services' the implementation of which is the responsibility of the Ministry. For all other issues the municipality only has to follow standard reporting procedures to the MLGA.

This weakness of the municipal (and central level) government presents a serious mid- to long- term threat to the sustainable development of mountain tourism in Pejë/Peć. Already, over the past five years, much unregulated development has taken place and the municipality has been unable to regulate these developments. Although the municipality largely shares the vision of sustainable development of local NGOs and international donors, if it does not improve its capacity to regulate these developments it is questionable whether it can ensure that this vision is implemented. Of particular concern is the possible future involvement of larger private enterprises. For example, there is currently much talk about possible investors in the development of ski resorts in the Pejë/Peć region. Such investments could, if properly regulated, do much good for the development of mountain tourism in Pejë/Peć, but could also seriously undermine current efforts at sustainable mountain tourism.

The interviewees saw a role for SeeNet in central –local level coordination. It was believed that the central level government might consider the voice of an international actor more seriously than it would of a local NGO or even local government.

4. CONCLUSIONS

In conclusion, Kosovo has a highly decentralised system of local self-governance, involving a high level of autonomy for the local governments, which is relatively new to this state. The tourism sector is a particularly new competency for the municipality of Pejë/Peć, since there has been little to no development in that sector during the Milosevic and early UNMIK period. This has led to a situation in which both central and local level governments have limited experiences in this field and policy is mostly driven by international donors while SMEs take advantage of any opportunities they see without much regulation or strategic planning.

Clearly, much needs to be improved if the vision that most actors share, namely (environmentally) sustainable tourism development, can be ensured in a climate in which private enterprises are expected to take a stronger interest in tourism in the Pejë/Peć region. To take advantage of the opportunities this offers, and to mitigate the threats this also poses, the capacity of both local and central government needs to be strengthened. If this does not happen the beautiful region of Pejë/Peć might be lost to uncontrolled development.

SeeNet has been received quite positively, both for the initial results it has produced for the effective coordination it has undertaken with the European Commission, and mostly for the sustainable approach it advocates and implements. Interviewees have expressed the hope that the SeeNet approach will be expanded to other close by geographical areas.

REFERENCE SOURCES AND DOCUMENTS

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- Law on Local Self Government (Law Nr. 03/L-040)
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- The Kosovo Decentralisation Briefing Book (2007)

Decentralisation, power of local self-government and multi-level dynamics in Budva Municipality

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Assignment done under the CeSPI guidance

Second report

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SeeNet Programme

A trans-local network for the cooperation between Italy and South East Europe



EXECUTIVE SUMMARY

With a monotype system of local self-government, Montenegro consists of 21 municipalities, one municipality having the status of a royal capital and one having the status of the capital. Such a division has existed since 1990.

The conditions for decentralization in Montenegro were first established with the adoption of the Constitution in 2007. The legal framework for decentralization also includes, along with other legislative acts, the Law on Local Self-Government and the Law on Financing of Local Self-Government. Montenegro has adequate legislative provisions for decentralization but this legislation is still not fully implemented. Also, changes and supplements to these laws, adopted during the last two years, represent a step back toward a more centralized system.

However, there is a relatively high level of autonomy for local self-governments towards the creation of local development policies and plans.

The decentralization process in Montenegro is seen differently by various interests groups. Representatives of the Government are satisfied with the level of local self-government's reform and with the legislative framework for the decentralization process. Nevertheless, the opposition highlights many obstacles and difficulties within the decentralization process. The centralization of local self-government competences and the non-existence of fiscal autonomy at the local level are problems which the opposition usually emphasizes.

One of the biggest problems at the local level is under-qualified local employees who might not be capable in taking over responsibilities given through European integration and decentralization processes. Budva Municipality's administration needs urgent systematization and is still unprepared for the obligations which employees are facing during the decentralization of the country.

Concerning local tourist and developmental plans, competencies are clearly divided between the central level (the Ministry for Sustainable Development and Tourism) and local institutions (the Mayor, the Assembly, the Agency for Spatial Planning, the Secretariat for Urban Planning, and the Tourist organization of Budva). Even though the local level has considerable autonomy in the development of these strategic plans, they have to be in accordance with those of the higher level (national).

1. DECENTRALISATION: THE LEGAL/INSTITUTIONAL AND POLITICAL FRAMEWORK

The administrative division in Montenegro consists of the national level and the local government level. Montenegro is constituted of municipalities as units in terms of geographical, economical and organizational structure. This division and municipal structure has existed since 1990 when the Law on the Division of Socialistic Republic of Montenegro defined organizational units at the local level.

Keeping in mind that the first Law on Local Self-Government in Montenegro from 1991 did not generate preconditions for decentralization, this process in Montenegro can be divided into three phases: first, up until 2003,¹⁸⁰ second, from 2003 to 2007,¹⁸¹ and the third phase from 2007 until now.

¹⁸⁰ First small step toward decentralization in Montenegro was made in 1996.

The Constitution of Montenegro (2007) and the Law on Local Self-Government (2003) constituted the legal basis for a decentralized system of local self-government in Montenegro for the first time. The government of Montenegro set up the Coordinating Committee for the Reform of Local Self-government on February 15th, 2007¹⁸² to monitor the decentralization process and prepare an evaluation of local self-government reform. Currently, members of the Committee are: the president of the Committee – the Minister of the Interior; members – the Ministers of Finance, Sustainable Development and Tourism, Economy, Agriculture and Rural Development, the Assistant Minister of the Interior for Local Self-Government and five representatives of the Union of Municipalities of Montenegro.

Montenegro is not divided into administrative regions. The draft of the Law on Territorial Organization, prepared in 2009, was harmonized with the Council of Europe's standards. The draft confirmed differences among municipalities in Montenegro: it introduced a division of cities¹⁸³ and municipalities with cities as a higher level of organization¹⁸⁴. Also, this draft defined a polytypic organizational structure, instead of monotype, and a differentiation of the responsibilities instead of an omnibus system. However, the draft of this law was withdrawn from the procedure without adoption.

The territory of Montenegro can be divided into three regions: central,¹⁸⁵ south¹⁸⁶ and north¹⁸⁷ in terms of geographical characteristics.

However, currently Montenegro has a monotype organizational structure of local self-government with omnibus distribution of responsibilities. The capital city of Podgorica and Royal Capital Cetinje have different statuses but the same responsibilities as the other 19 municipalities.

Legal framework: *Constitution of Montenegro* (2007), article 22: guarantees the right of local self-government.

Law on Local Self-Government (2003)¹⁸⁸: established the system of local self-government in Montenegro in accordance with the European Charter of Local Self-Government. This system was established with regard to principles of decentralization, subsidiarity and the concept of sustainable development. Under the Law on Amendments and Appendixes to the Law on Local Self-Governments from December 23rd, 2009, the mayor of the Municipality is now elected by the majority of aldermen in the local assembly.¹⁸⁹

¹⁸¹ During this period the Law on local self-government started to be implemented in Montenegrin municipalities, but pre-conditions for decentralization were not set up till adoption of the Constitution..

¹⁸² Official Gazette of Montenegro (No 14/07, 22/07).

¹⁸³ City is organisational unit with higher level of responsibility and requirements than the Municipality.

¹⁸⁴ "Creation of new forms of organization (the city) with a greater degree of autonomy, should be conducted primarily in the form of "pilot projects", temporary, and in those territorial areas (existing municipalities), which already have the role of informal regional centres. In this way, individual municipalities will receive the status of a city, and therefore the broader powers (e.g. ownership of property, social security, education, health care ...), will have the opportunity to become leaders of economic development in the region, neighbouring municipalities and state as a whole." *Strategy for Public Administration Reform 2011-2016*.

¹⁸⁵ Podgorica, Nikšić, Danilovgrad, Cetinje and Plužine.

¹⁸⁶ Ulcinj, Bar, Budvu, Tivat, Kotor and Herceg Novi.

¹⁸⁷ Kolašin, Šavnik, Žabljak, Mojkovac, Bijelo Polje, Pljevlja, Berane, Andrijevicu, Plav and Rožaje.

¹⁸⁸ With amendments on it in 2004, 2005, 2006, 2009 and 2010.

¹⁸⁹ Article 16, Law on Amendments and Appendixes to the Law on Local Self-Governments; Article 56, Law on Local Self-Government; Article 65, Statute of Budva Municipality.

Law of Financing of Local Self-Governments (2003)¹⁹⁰: harmonized with the Law on Local Self-Government. Montenegro set up the Equalization Fund under the Law of Financing of Local Self-Governments for municipalities with budget deficits.

Law on Administrative Capital (2005): constitutes two urban municipalities within the territory of Podgorica, the capital of Montenegro.

Law on Historical Capital (2008): under this law, certain important public institutions are relocated to Cetinje. Cetinje is the old royal capital and is one of the cultural, historical, religious centres of Montenegro.

Law on Approving the European Charter of Local Self-Government (2008): presents formal confirmation of Montenegro to implement and organize sub-national levels in accordance with the principals and concepts of the European Charter of Local Self-Government.

Law on State Property (2009): regulates property which is administered as public on a national and local level.

Spatial planning in Montenegro is regulated under the provisions of the *Law on Spatial Development and Construction of Structures* (2008). Distribution of the responsibilities between central and local level concerning spatial planning is also regulated according to this law.

Institutional framework: The Sector/Department for local self-governments in the *Ministry for Interior* is in charge of decentralization issues while the reformation process of the local self-government is the responsibility of the *Coordinating Committee for the Reform of Local Self-government*. As for the public administration reform, the central role in this process belongs to the *Secretariat for Regulatory Reform and Advancement of Business Environment*.

The *Human Resources Management Authority of Montenegro* and the *Union of Municipalities* are conducting activities in order to enhance administrative capacities of the local self-governments.

After personnel and institutional changes in the Government of Montenegro in December 2010, the Ministry of Tourism and the Ministry for Spatial Planning and Environment were integrated into the *Ministry for Sustainable Development and Tourism*. Therefore, the Ministry for Sustainable Development and Tourism has a central role in the supervision of the spatial planning and tourism in Montenegro. Central plans and strategies are developed at the national level within this ministry and are further expanded at the local level. At the local level, in accordance with the topic of SeeNet project, it is important to highlight the *Secretariat for Urban Planning*. In 2005, Budva municipality founded the *Agency for Spatial Planning* but after the organisational changes in April 2011 there have been tendencies to merge this institution with the Secretariat for Urban Planning. Thus, the Agency for Spatial Planning and the Secretariat for Urban Planning are currently in charge of spatial development and other issues concerning spatial planning in Budva municipality.

During these institutional and personnel changes within Budva municipality, the assembly elected a new mayor and two deputy mayors.

In Montenegro local tourist strategies have to be in line with the national strategy, which is developed in the Ministry of Sustainable Development and Tourism.

Tourist Organization of Budva sets plans for touristic manifestations for the tourist season in Budva as well as coordinates and conducts activities within the municipality during the year.

Public Enterprise for Coastal Zone Management (an organization called “JP Morsko dobro”) administers the maritime public domain for general and special public purposes. It is an organization which is organized at the national level but its administrative centre is located in the Budva municipality. However, the Public Enterprise for Coastal Zone Management also established offices in two other maritime municipalities: Herceg Novi and Ulcinj.

¹⁹⁰ Substantial changes to the Law of Financing Local Self-government came into force at 1st January 2011.

International organizations are also determined in carrying out decentralization processes in Montenegro. Recently, UNDP in Montenegro started a project which focused on three main issues: budgetary methodology – providing help to local governance on budget planning; municipal loans; providing assistance to the Equalisation Fund. This project is focused on fiscal decentralization in Montenegro.

European integration processes, together with the efforts of the country to become member of the EU, have influenced decentralization in Montenegro in terms of harmonization of national legislation with EU *acquis*.

Considering that vertical action 4A of the SeeNet project is focused on providing support to the strategic spatial planning in Budva (together with Pančevo and Smederevo), it may have a strong influence on the decentralization process in Budva and multilevel dynamics concerning spatial planning in Montenegro.

2. COMPETENCIES AND RESOURCES OF LOCAL SELF-GOVERNMENT UNITS

The municipality performs affairs of the local self-government that are of direct and common interest of the local population. Under article 29 of the Law on Local Self-Government, municipalities have their own competencies within the different spheres of the public life.¹⁹¹

These responsibilities are further specified in municipal statutes. Therefore, article 17 of the Budva Statute specifies the following responsibilities of the Municipality: Normative managing of conditions for maintaining issues of public interests; Governing over the municipal property;

¹⁹¹ “1) Conditions for perform and development of community affairs; 2) Conditions for entrepreneurial development; 3) Performing affairs of settling, using and protecting construction land; 4) Use of business premises; 5) Conditions for preserving and protecting natural resources; 6) Social welfare in relation to home care and help at home for the aged and persons with disabilities, resolving housing issues for persons with social needs status, and additional methods of social welfare; 7) Child welfare in relation to school holidays and other recreational periods during the school term, accommodation, nutrition, and other additional methods of child welfare; 8) Conditions for preservation, use, management, and improvement of areas with natural medicinal qualities; 9) Public transport of passengers in local traffic areas; 10) Affairs of establishing, controlling, and collecting local public revenues; 11) Relations in the field of housing, creation of conditions for the maintenance and protection of blocks of flats, and protection of condominium ownership rights; 12) Conditions for constructing and using facilities; 13) Conditions for providing information to the local population; 14) Conditions for protection from natural disasters, fires, explosions, damages, and other accidental and extraordinary events and creates conditions for their prevention; 15) Conditions for improvement of sport and physical education, recreation for children, youth, and adults, construction and maintenance of physical education facilities and development of inter-municipal sports co-operation; 16) Relations concerning the construction and installation of temporary and other facilities; 17) Conditions for protecting monuments of local importance; 18) Noise supervision and protection; 19) Conditions for development of librarianship and archive activities of local interest; 20) Conditions for the development of publishing affairs; 21) Conditions for deep-sea navigation on its own territory; 22) Working time and conditions in premises providing services to the citizens; 23) Conditions for performing auto-taxi transportation; 24) Conditions for organizing public affairs of local significance.” Article 31 Law on local self-government: within its primary jurisdiction, the Municipality also performs the following affairs: “1) Take care of protecting eroding areas; 2) Determine whether there is within the public interest to expropriate heritable property to meet local needs; 3) Manage, dispose, and protect local property; 4) Exercise inspection supervision; 5) Define offences for violating its regulations and initiate misdemeanor procedure; 6) Organize the provision of legal aid to citizens; 7) Maintain population data, election rolls and other records, in accordance with the law; issue water management conditions, water management accords, and water management permits; 8) Maintain data with respect to communal and sewage effluents, users and polluters of water management facilities and installations and other affairs; 9) Determine public acknowledgements and awards; 10) Decide on rights and duties of citizens in affairs within its own jurisdiction; 11) Meet certain needs of citizens in other fields of direct interest to them; 12) In addition, perform other affairs in accordance with the needs of the local population and its interests.”, Article 32 Law on local self-government.

Organizing, using and protecting the municipal territory; Environmental protection; Ensuring economical development of the municipality; Expediting cultural development, etc.

In addition, there is a relatively high level of autonomy for local self-governments in creating local developmental policies and measures.

Municipalities have also vested and delegated affairs as transferred responsibilities from the central/national to the local level. Delegated affairs fall into categories of education, primary health care, social and child welfare, employment, etc.

In order to ensure the fulfilment of responsibilities, municipalities have their own institutions. The Municipal Administration is divided into two branches: executive (with the Mayor being the central figure of this branch) and parliamentary (the local parliament, or The Assembly¹⁹² is a fundamental institution within this branch). Two important positions at the local level are the Local Manager and Administrator, with responsibilities to manage major projects and capital investments.

Local administration bodies (secretariats) perform administrative affairs. Currently, the municipality's administration has the following secretariats: Secretariat for Finance; Secretariat for Urban Planning; Secretariat for Investments; Secretariat for Legal Affairs; Secretariat for Public Utilities; Secretariat for Property Protection; Secretariat for Social (Public) Services.

The Municipality has also founded a large number of public services – agencies, enterprises and other types of organizations. Public services are conducting certain activities, for example, water supply, public utilities, waste disposal, parking spaces, etc.

There is a large number of public companies in the Municipality of Budva: Enterprise for public utilities; Parking service; Enterprise for water supply; Tourist organization of Budva; Budva Holding¹⁹³, Enterprise for managing of museums and galleries, “Funeral services”, “Mediterranean reklame”, etc. The establishment of public companies has to be approved by the local assembly. Also, public companies are obliged to submit reports on their work and financial reports to the local assembly. Budva municipality is co-founder (with a local private company) of the “Academy of Sciences”. Currently, there are no tendencies for privatization of other public companies.

In terms of strategic plans, the following documents can be adopted at the local level:¹⁹⁴ 1) Development plans and programmes; 2) Construction land settlement programmes; 3) Ambient and urbanism plans; 4) Budget and budget balance sheets; 5) Capital improvement and investment policy plans; 6) Plans and programmes in certain administrative areas, in accordance with special legislation; 7) Environmental development and protection programmes.

All municipalities in Montenegro deal with fiscal responsibilities – their budgets, incomes and outcomes, properties and administration.

The sources of finance for local self-governments are provided from: a) primary revenues (municipal road charges; local administrative fees; charges for land improvement construction; charges for environmental protection and improvement; revenues generated by property owned by a municipality and revenues generated from property rights; revenues collected from concession fees for performing communal activities and revenues from other concession activities that a municipality concludes in accordance with the law; revenues collected by municipal bodies, services and organizations from providing their services; etc.); b) joint revenues c) Equalization Fund;¹⁹⁵ d) the State budget.

¹⁹² The Assembly is legislative body and adopts: the Statute; regulations and other general acts.... The Assembly also establishes: the level of municipal taxes, fees, and charges and public services.

¹⁹³ A company with the key responsibility of managing the property of the municipality.

¹⁹⁴ Article 31, Law on local self-government, p. 7.

¹⁹⁵ Equalization Fund has been established with the central goal of equalizing financial conditions of the less developed municipalities.

Budva municipality has one of the biggest local budgets in Montenegro which amounted to 57.744.000, 00 Euros for 2011.

Budva municipality's administration is oversized and needs urgent systematization. Currently, there are 598 employees who work for the Municipality's administrative centre or its public companies, while the optimal number of employees is 432.¹⁹⁶

3. MULTI-LEVEL DYNAMICS

The decentralization process in Montenegro is seen differently by various stakeholders. Representatives of the Government of Montenegro consider decentralization and local self-government reform as a long-term process which includes consensus among all stakeholders – from central level, municipalities, citizens and all legal subjects. In their opinion, the central goal of the reform is creating a decentralized system which will enable local self-governments to define and protect citizens' needs and to respond to them in an adequate manner. Moreover, it is a common perception from the governmental level that, in terms of legislative preconditions, all relevant provisions for decentralization have already been adopted. The government recently¹⁹⁷ adopted the Strategy for the Public Administration Reform (PAR) in order to reform public services at the national and the local level.

In accordance with the PAR Strategy for the 2011-2016 period¹⁹⁸, certain central objectives of the reform of local self-government are: Decentralization and democratization (in both terms: functional and fiscal); Strengthening the legality of local government; Administration reform with principles of modern governance and e-governance; Strengthening partnership between all levels within the Montenegrin society; Strengthening of municipal and regional cooperation; Establishing quality system of human resource development and management of personnel management in local government.

However, 32 members of the Parliament of Montenegro have had serious objections to the decentralization process in Montenegro. On September 23rd, 2010, 32 members of the Parliament requested an interpellation on the discussion about internal policy regarding local self-government. The facts underlined by the opposition members of Parliament in favour of this request were: centralization of local self-government competences and non-existence of the fiscal autonomy at the local level.

Decentralization implies coherence between the responsibilities of the local self-government and the financial resources to fulfil these obligations. Representatives of the Union of Municipalities of Montenegro consider new provisions on the Law of Financing of Local Self-Governments, which came into force on January 1st, 2011, has been considerably enhanced with respect to the previous legislative scope. Currently, in their opinion, there are merely problems with its implementation.

As a part of its regular activities, the Union of Municipalities organizes consultative meetings between the Ministry of Finance and representatives of Montenegrin municipalities. The last meeting was held on February 23rd, 2011. At this meeting representatives of the local self-

¹⁹⁶ Conclusion of the Municipality's working group formed to prepare systematization and reorganization of the administrative capacities. Source: Web portal "Vijesti", February 24, 2011, <http://www.vijesti.me/vijesti/u-opstini-budva-otpustanja-kuci-otislo-15-radnika-clanak-8060>.

¹⁹⁷ March 31, 2011.

¹⁹⁸ AURUM, March 2011.

government expressed their satisfaction with new legislative solutions.¹⁹⁹ This estimation goes to new provisions about taxes on property which allocate 80% of the total amount to the local level and concessions fees which have been expanded from 30 to 70% for local self-governments.

Nevertheless, representatives of maritime municipalities are not satisfied with the new financial provisions.²⁰⁰ New provisions are not of great importance for budgets of maritime municipalities because incomes from concessions for these municipalities are low.

The president of the Committee for Economy, Finances and Budget in the Parliament of Montenegro, Mr Damjanović, from the opposition Socialistic People Party, considers the communication between central and local level about financial issues in Montenegro unsatisfactory. The problem lies in the connection between the Law on Budget and the Law on Local Self-Government. Local self-governments, in his opinion, have problems with tax provisions. There is also a lack of transparency in the part which refers to budget implementation. He also believes that the communication between state and local self-government has to go both ways and that it is most important to ensure municipal incomes from different sources instead of incomes which are confiscated by the state. In Mr Damjanović's opinion, it is obligatory, in terms of decentralization, to guarantee the distribution of taxes and other outcomes between levels for a long period.

Keeping in mind local self-government financing, the counsellor for financing local self-government in the Union of Municipalities of Montenegro stressed that elements of centralization are still present when Municipalities cannot acquire loans without the approval of the state authorities. Also, under the budgetary procedure, the Ministry of Finance has to give an opinion on the budget of local self-governments.

The Ministry of Finance also has a coordinating role within the system of internal control at the local level. Therefore, the Ministry prepares handbooks and the methodology for internal auditors. Also, under the Law on Internal Financial Control, municipalities have to distribute reports on the work of internal auditors to the Ministry of Finance. The Ministry has acquired funds with an IPA project for the development and building of the internal control system.

Spatial planning is conducted at different levels – from national to local. In most cases, in Montenegro, general policies are made at the national level since detailed plans are exercised at the local level. However, there are many “urban” problems which every unit for spatial planning is faced with - traffic congestion, economy and degraded environment are some of them.

The Spatial-Urban Development Plan of Local Self-Government for Budva municipality has been adopted in the local parliament.

The fundamental tasks concerning the spatial planning in Montenegro are: spatial planning; preparation of documents; monitoring.

The Ministry for Sustainable Development and Tourism, at the national level, and the local assembly, at the local level, adopt the annual spatial development program. This program contains all planned documentation for the annual period with operational measures for its implementation and distribution of financial resources.

When it comes to the local level, under the Law on Local Self-Government, municipalities also have to involve the public through public debate in preparation of the annual spatial development program. This provision ensures high transparency at the local level.

A one-year spatial development program is published in the “Official Gazette of Montenegro”.

¹⁹⁹ From the interview with Žana Đukić, counsellor for financing local self-governments in the Union of municipalities of Montenegro.

²⁰⁰ Conclusion is determined after interviews with members of local parliament and secretary for finance in the Municipality of Herceg Novi.

Ministry (at national level) and local administration authorities (at local level) are obliged to submit annual reports on the status of spatial development to the Government or parliament of the respective local self-government..

Planning documents in Montenegro are divided into two levels: state planning documents and local planning documents. The preparation of documentation follows a highly decentralized procedure between central and local levels. The categorization of documents at the national level is as follows: a) Spatial plan of Montenegro²⁰¹ which is both a strategic and developmental document; b) Spatial plan of a special purpose area²⁰²; c) Detailed Spatial Plan²⁰³ (for example, the spatial plan for Adriatic-Ionian road); d) Study on location²⁰⁴.

The basic strategic plan for the local self-government is the Spatial-Urban Development Plan of Local-self Government.²⁰⁵ Local spatial plans have to be in accordance with plans of the higher level. Also, there are three categories of the documents at the local level: Detailed urban development plan; Urban development project; Local location studies.²⁰⁶

The head of the executive branch, the Mayor, adopts decisions about preparation of the planning document. The Mayor also adopts the decision on strategic assessment. All preparatory activities are the responsibility of the local institutions. Drafts of the documents have to be submitted to the Ministry of Sustainable Development and Tourism for opinion. After this stage, a plan is put under scrutiny by means of public debate. Finally, the plan has to be approved and adopted by a majority in the local assembly.

Inspection control in spatial planning is completely within the jurisdiction of the state authorities. Therefore, two areas fall under the inspection control: spatial protection and construction of structures. Elements of the inspection control regarding environmental protection are under the competence of the Public Enterprise for Coastal Zone Management.

When it comes to the coastal zone, the Ministry for sustainable development and tourism is responsible for creating the Spatial Plan for Coastal Zone. This plan was adopted in 2007. However, the Public Enterprise for Coastal Zone Management was involved during the preparation phase for this document. Also, this company had intensive activity with 18 proposals during the preparation of the State location studies (documents with the same legal relevance as a town plan).

In the opinion of the interlocutors who are involved in spatial planning and tourism, there is good communication and clear distribution of responsibilities between central and local levels in the field of spatial planning and tourism. Also, the interlocutors are satisfied with the level of decentralisation in this specific sector²⁰⁷.

Budva is a leading municipality in Montenegro concerning the realization of public-private partnerships. On January 4th, 2008, Budva Municipality established the company "Budva Holding". This company has the competence to manage and operate municipal property with the intention of promoting joint investment with foreign partners to valorize and adequately transform the unused exclusive locations. By establishing this company, the Municipality transferred the ownership of over 3 million square meters of land between the beaches Buljarica and Jaz to "Budva Holding". During 2010, this company received an additional two land plots in the field of Buljarica, with an area 54,913 and 10,286 m² respectively. However, by establishing "Budva Holding", the high officials of this municipality have highlighted their determination in presenting the most attractive

²⁰¹ Prostorni plan Crne Gore.

²⁰² Prostorni plan posebne namjene.

²⁰³ Detaljni prostorni plan.

²⁰⁴ Državne studije lokacije.

²⁰⁵ Prostorno-urbanistički plan lokalne samouprave.

²⁰⁶ Detaljni urbanistički plan; Urbanistički projekat; Lokalna studija lokacije.

²⁰⁷ For a more detailed analysis on the opinions of stakeholders on spatial planning in Budva Municipality, please refer to SeeNet first report for Budva Municipality, chapter 5.

locations in the municipality in the best way possible through joint PPP investment with foreign partners. Therefore, “Budva holding” manages this land, however, renting of the state property and tourist investments within the state’s territory²⁰⁸ falls under the responsibility of the Government. Concerning concessions, the Law on Concessions stipulates a maximum concession period of 30 years, when the concession has been allocated by the government or the local parliament, and a maximum concession period of 60 years when the decision on the allocation of the concession has been adopted by parliament.²⁰⁹

The conclusion of PPP contracts in Budva necessarily raises the issue of the selection of private partners for capital investment. The failure of certain tenders and the problems caused by certain private partners point to a hasty selection of partners and inadequately assessed risks of certain contracts. Some of the companies which were first ranked during the tender procedure experienced a fiasco after their owners filed for bankruptcy.

It also important to highlight the “Zavala Case”, an unsuccessful and non-transparent project which forced the Mayor and Deputy Mayor of Budva Municipality to resign in March 2011.²¹⁰

4. CONCLUSIONS

Montenegro has adequate legislative provisions for decentralization but this legislation has not yet been fully implemented. Regardless of the sufficient legislative scope for decentralization, during the last two years the Government of Montenegro has adopted provisions which are a step back toward centralization. For example, until 2009 the mayors of municipalities were elected directly by citizens but this provision was abolished and now the local assembly decides on the appointment of the mayor.

An additional barrier to decentralization is the Law on State Property. The European Charter of Local Self-Government does not treat property issues. There was a draft on the regional charter for property but it was never approved by the Parliamentary Assembly of the Council of Europe. The Constitution of Montenegro guarantees the right of local self-government to manage its own properties but the Law on State Property seriously breached this right. Under the Law on State Property, municipalities need the approval from state authorities in order to sell municipal property.

One of the biggest problems at the local level is under-qualified local employees who might not be capable of taking over responsibilities given through the decentralization process. Employees do not possess adequate skills. Moreover, an overwhelmed staff has manifested in many municipalities. Therefore, development and rationalization of the local administrative capacities in the next period has to be a priority.

As regards financial resources, certain Montenegrin municipalities are still highly dependent on national resources (mainly municipalities in the north of the country). Also, municipalities are facing a lack of necessary funds for investments. The same situation currently applies to Budva municipality, as a result of the global economic crisis, even if it has not been the case in the past.

Finally, the cooperation between local authorities and citizens/civil society at the local level has not been achieved at a sufficient level.

²⁰⁸ In Budva municipality.

²⁰⁹ Law on Concessions, art. 8, para.2.

²¹⁰ Supreme State Prosecutor's Office ordered arrest of ten persons in December 2010, including Budva Municipal Mayor and Deputy Mayor, charging them with abuse of office. Mayor and Deputy Mayor are suspected to have appropriated a large amount of money belonging to the Municipality of Budva through illegal actions regarding the Zavala case.

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Spatial plan for special purpose Coastal zone.

ANNEX : AN OVERVIEW OF PPPs IN BUDVA MUNICIPALITY²¹¹

	Project	Private investor	Project details
1.	“Aston martin” Hotel at the Galija location nearby St. Stefan	Kuwait-based company “DC Invest Limited“	“Budva Holding” participates in the project through a land allocation of 67,13 m ² . After the completion of the project, it will retain 1/5 of the profit of the tourist complex, and will exercise 33% power share in decision-making.
2.	Hotel at an exclusive 5,500 m ² location near the Old Town of Budva	British company “Aston Martin”	The Hilton Corporation should manage this hotel complex.
3.	Golf course at the Spas Hill	Cooperation with the honorary consul of Belgium in Montenegro Jean-Luc Dumortier	
4.	“Budva-Brajići” cable car	By adopting a decision in March 2009, the Assembly of Budva Municipality established “Cable Car Montenegro” ltd. Plc., Budva; the main activity of the company is the construction and exploitation of the Budva – Brajići cable car.	Budva Municipality entered this partnership by the allocation of real estate of the total value of 209,963.00 euros.
5.	Tourist villas in an area of 30,000 m ² at the location Miločer – St. Stefan	Greek “Restis Group” ²¹²	
6.	Sail-Shaped Hotel at cape Zavala		In August 2008, “Budva Holding” opened a call for the establishment of a joint venture company that would construct a luxurious 7-star hotel at Cape Zavala. The company that ranked first in the tender was “Zavala Invest” (branch of the Russian “Mirax” firm). However, in 2010, “Budva Holding” decided to withdraw from negotiations with this company and renew the call for the bids for the construction of the hotel.
7.	City hotel at the Košljun hill	Egyptian corporation “Orascom hotels & Development – OHD” ²¹³	The Egyptian company owns 12 hectares of land at Košljun hill. This land was purchased from the inhabitants of Budva in 2008. Since the municipality owns 2.5 hectares of land at this location, it is interested in a joint project with the Egyptian company.

²¹¹ Data on PPP’s are specified in the table on ground of media sources.

²¹² The Greek “Restis Group” has taken over the reconstruction of the city Hotel St Stefan from the Singapore-based “Aman Resorts”.

Decentralisation, power of local self-government and multi-level dynamics in Vojvodina

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Assignment done under the CeSPI guidance

Second Report

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SeeNet Programme

A trans-local network for the cooperation between Italy and South East Europe



EXECUTIVE SUMMARY

Historical events of the dissolution of the Yugoslav federation in 1990s put decentralisation and regionalisation among the most politically sensitive topics in the Republic of Serbia. As a consequence, there is no consensus among the political parties and general public on the structure of vertical hierarchy of the government architecture in the Republic of Serbia.

The Republic of Serbia is an asymmetrically decentralised country with two autonomous provinces, where the sovereignty over one of them (Kosovo and Metohija) is internationally contested. In parallel with the two provinces, the administrative landscape of the Republic of Serbia comprises of 174 local self-government units: 150 municipalities, 23 cities, and the capital city of Belgrade. There are also 29 administrative districts acting as decentralised units of ministerial and inter-ministerial structures. The Autonomous Province of Vojvodina is divided into 7 districts, 39 municipalities and 6 cities.

The autonomous status of Vojvodina has been restored with the Constitution of Serbia and the Law on Establishing Competencies of the Autonomous Province of Vojvodina. This Law defines competencies of the autonomous province in twenty different areas, including agriculture, spatial planning, regional economic development, tourism, social welfare, culture, sports, and many others. Vojvodina has power over their own budget, which should be at least 7% of the budget of the Republic of Serbia, where three sevenths of the budget has to be allocated to capital investments. The province is financed through its own-source revenues and through transfers from the national budget.

The autonomy of Vojvodina is characterised by two issues: (1) the local government does not have full autonomy on the implementation of most of the allocated competencies, since these are shared with other tiers of government, and (2) the transfer of competencies is not accompanied by adequate financial resources.

These two issues create dynamics at the provincial level that include: (1) vertical co-ordination between different tiers of governments, aimed at effectively implementing the allocated competencies, and (2) horizontal co-operation with public and non-state actors that targets networking and optimal use of available resources for maximising development utility.

There is a good co-operation between the authorities and institutions of different tiers of government, yet this might be ascribed to the same political colour of the government coalition at the central and provincial level. However, due to the complexity of administrative arrangements, a multi-level governance and functionality of Vojvodina's autonomy might be an issue in future circumstances, when different political options will rule different tiers of governments.

While the provincial officials claim an increase in the level of co-operation with private sector and civil society organisations, non-state actors are not satisfied with the quality of their interaction. The issue of concern is the transparency of financial allocations of the provincial government to develop projects of significant size. Non-state actors assess the capacity of the provincial administration as weak and unreformed.

Despite all constrains of the institutional and administrative arrangements of Vojvodina's autonomy, positive progress is visible in institutional thickness and multi-level interaction, which are significantly higher in Vojvodina than in all other regions of the Republic of Serbia.

This report is structured within four chapters: the first chapter deals with the legal, institutional and political framework of decentralisation, the second one focuses on powers and resources of local self-government units, the third chapter on multi-level dynamics and the last chapter provides with conclusions.

1. DECENTRALISATION: THE LEGAL/INSTITUTIONAL AND POLITICAL FRAMEWORK

Historical events of the dissolution of the Yugoslav federation in 1990s put decentralisation and regionalisation among the most politically sensitive topics in the Republic of Serbia. Ever since the democratic changes in late 2000 decentralisation has become an issue of intensive public and political discussion, so far without reaching a final consensus on the structure of vertical hierarchy of the government architecture.

According to the Constitution and the Law on Territorial Organisation, the Republic of Serbia is a unitary state with two autonomous provinces, Vojvodina and Kosovo and Metohija²¹⁴. The fact that the southern province is not under the jurisdiction of the Government of the Republic of Serbia makes the country asymmetrically decentralised, with one autonomous province (Vojvodina²¹⁵) and one city-region (the capital city of Belgrade²¹⁶). The rest of Serbia does not have an intermediate tier of government with administrative competencies.

The asymmetry of the political system in the Republic of Serbia has been confirmed by the Law on Regional Development, which introduced five development regions at the NUTS²¹⁷ 2 level: (1) Vojvodina, (2) Belgrade, (3) Kosovo and Metohija, (4) Eastern and Southern Serbia, and (5) Western and Central Serbia, the last two being only statistical regions.

The Republic of Serbia (including Kosovo and Metohija) is divided into 174 local self-government units, out of which there are 150 municipalities, 23 cities and the capital city of Belgrade²¹⁸. A municipality is a basic territorial and administrative unit of self-government, covering territory with at least 10,000 inhabitants²¹⁹. The City is a territorial unit of at least 100,000 inhabitants²²⁰. De-concentration of ministerial and inter-ministerial structures was carried out by the Regulation of Administrative Districts²²¹, which has established 29 administrative districts (7 of them are located in Vojvodina).

The autonomous Province of Vojvodina is divided into 39 municipalities and 6 cities²²². The province co-operates and co-ordinates with cities and municipalities in the execution of its competencies²²³. Moreover, the province has authority of control over the work done by the self-

²¹⁴ The Constitution of the Republic of Serbia officially uses the name ‘Kosovo and Metohija’, while the same territory has been internationally known under name ‘Kosovo’. Due to a specific status of Kosovo and Metohija, the Constitution prescribes that the autonomy of this province will be determined by a specific legislation, which will be designed as an outcome of the negotiations between Serbian Government and the representatives of Kosovan Albanians.

²¹⁵ Autonomy of the Vojvodina Province has been regulated by the Law on Establishing Competencies of the Autonomous Province of Vojvodina from 2009 and applied as of January 1, 2010. According to the Law, the Vojvodina Assembly has adopted the Statute.

²¹⁶ Competencies of the Capital City of Belgrade are regulated by a special Law, different from the Law on Local self-government that regulates all the other cities and municipalities in Serbia.

²¹⁷ Nomenclature of territorial units for statistics, abbreviated as NUTS (from the French Nomenclature des Unités territoriales statistiques).

²¹⁸ The Law on Territorial Organisation of the Republic of Serbia.

²¹⁹ Article 11 of the Law on Territorial Organisation of the Republic of Serbia. The same article also stipulates that current municipalities with less than 10,000 inhabitants will sustain its status. In case there are special economic, geographic or historical reasons, new municipalities can be established in a territory of less than 10,000 inhabitants. However, the Law does not stipulate any conditions for determining “special economic, geographic or historical reasons”, leaving such decision unregulated.

²²⁰ Similar as with municipalities, a municipality with less than 100,000 might be awarded with the status of city if there are “special economic, geographic or historical reasons” for such decision (Article 17 of the Law on Territorial Organisation of the Republic of Serbia).

²²¹ Official Gazette of the Republic of Serbia, No. 15/2006.

²²² Article 27 of the Law on Territorial Organisation of the Republic of Serbia.

²²³ Article 14 of the Statute of the Autonomous Province of Vojvodina.

government units (both, cities and municipalities)²²⁴, including the overseeing of local economic development and spatial planning documents and their harmonisation with the provincial ones²²⁵.

It is fair to say the degree of competencies to the lower tiers of governments has been gradually increased in last several years, especially after the adoption of the new Constitution of the Republic of Serbia. However, the decentralisation in Serbia has been regulated by sectoral laws, since there is no system provision that specifically refers to decentralisation or de-concentration of the administrative competencies.

The legislative framework of decentralisation in the Republic of Serbia is determined by the following main legislative acts, followed by numerous bylaws:

- The Constitution of the Republic of Serbia²²⁶;
- The Constitutional Law on Adoption of the Constitution of the Republic of Serbia²²⁷;
- The Law on Territorial Organisation of the Republic of Serbia²²⁸;
- The Law on Local Self-government²²⁹;
- The Law on the Capital City²³⁰;
- The Law on Local Self-government Finance²³¹;
- The Law on Local Elections²³²
- The Law on Establishing Competencies of the Autonomous Province of Vojvodina²³³
- The Law on Ratifying European Charter on Local Self-Government²³⁴
- The Law on Regional Development²³⁵.

The above list is still missing a Law on Local Self-government Property, an important piece of legislation that will regulate the property rights of the autonomous provinces and local self-governments²³⁶.

In order to initiate structural changes in the field of decentralisation, the Government of the Republic of Serbia has formed the National Council for Decentralisation of the Republic of Serbia²³⁷, which shall coordinate a process of preparation of the National Strategy of Decentralisation. However, the National Council has a problem of functionality since the beginning and it has managed to hold just one meeting so far. The main reason is lack of motivation among high-level politicians to deal with complex issues of decentralisation.

²²⁴ Article 73 of the Law on Establishing Competences of the Autonomous Province of Vojvodina.

²²⁵ Article 10 of the Law on Establishing Competences of the Autonomous Province of Vojvodina.

²²⁶ Official Gazette of the Republic of Serbia, No. 83/2006.

²²⁷ Official Gazette of the Republic of Serbia, No. 98/2006.

²²⁸ Official Gazette of the Republic of Serbia, No. 129/2007.

²²⁹ Official Gazette of the Republic of Serbia, No. 129/2007.

²³⁰ Official Gazette of the Republic of Serbia, No. 129/2007.

²³¹ Official Gazette of the Republic of Serbia, No. 62/2006.

²³² Official Gazette of the Republic of Serbia, No. 129/2007.

²³³ Official Gazette of the Republic of Serbia, No. 99/2009.

²³⁴ Official Gazette of the Republic of Serbia, No. 70/2007.

²³⁵ Official Gazette of the Republic of Serbia, No. 51/2009 and 30/2010).

²³⁶ According to the current legislation, the central level of government owns all public property. This makes a huge problem to the province(s) and local self-government, especially in their attempts for planning development. Although this issue has been continuously raised to the central government, there is lack of interest among high-level politicians to solve this problem. The working group for drafting the Law on Public Property has been recently established and the first draft of the Law is expected in May 2011.

²³⁷ The National Council for Decentralisation of the Republic of Serbia gathers the most relevant national ministries as well as representatives of autonomous provinces, cities and municipalities. The work of the Council has been supported by the Expert group, consisted of the most prominent experts in the field of decentralisation and by the executive office of the Council that provides administrative support. More about the Council is available at <http://decentralizacija.gov.rs>, last visit on 14 May 2011.

The process of European integration does not require from the candidates and potential candidates countries to decentralise since there is no single model of decentralisation among EU member states. This was emphasised by numerous officials from the Delegation²³⁸, as well as by the ambassadors from the EU member states²³⁹. However, it is largely expected from local and provincial authorities that reforms towards the EU integrations will create spin offs towards more decentralisation of powers and resources to the lower tiers. Besides, the European Union has already invested more than €200 million in supporting local self-governments to develop small-scale infrastructure and advance capacities of their administration²⁴⁰, which significantly contributed to the decentralisation processes in Serbia.

There is no international or bilateral organisation present in Serbia that is or was not included in enhancing the process of decentralisation. While the Council of Europe and the Organisation for Security and Co-operation in Europe focus on providing support to the institutions at the national level working in the field of decentralisation (National Council for Decentralisation, Standing Conference of Towns and Municipalities, line Ministries, etc), bilateral organisations mostly focus their intervention on sector-based programs. The most active bilateral donors are USAID (with focus on local economic development), ADA²⁴¹ (focus on regional development), GIZ²⁴² (focus on area-based development). UN-family organisations are focusing on area-based programmes in the most disadvantaged areas of Southwest and Southern Serbia.

2. POWERS AND RESOURCES OF LOCAL SELF-GOVERNMENT UNITS

After long political negotiations and a continuous bottom-up pressure from provincial politicians to the central government, the new Constitution of the Republic of Serbia of 2006 restored the autonomous status of the Vojvodina Province. However, the process of restoring autonomy was not that quick, three more years passed until the Parliament of the Republic of Serbia adopted the Law on Establishing Competencies of the Autonomous Province of Vojvodina, which determined the competencies that were delegated to the provincial government.

This Law defines the competencies of the autonomous province in twenty different areas, including agriculture, spatial planning and regional economic development, tourism, social welfare, culture, sports, and many others. Nevertheless, the allocated competencies of Vojvodina are not exclusive and autonomous, especially in sectoral issues, but are shared either with the line ministries of the national government or with the cities and municipalities. Therefore, the co-ordination and implementation of the policies among different tiers of governments has become a reality for the Vojvodina's government ever since the autonomous status was restored.

²³⁸ For instance, his Excellency, Ambassador Vincent Degert, a head of Delegation of the European Union to the Republic of Serbia, held a keynote speech at the First National Conference on Decentralisation (29 March 2010) where he mentioned that the European Commission does not have a special requirement which model of decentralisation Serbia is going to implement, yet it is expected from Serbia to apply principles from the Maastricht treaty that refers to a subsidiarity principle.

²³⁹ At the recent event on decentralisation, organised at the Vojvodina Assembly on 14 April 2011, the UK Ambassador Michael Devenport emphasised that there is no universal European model of decentralisation and that decentralisation in the UK is a subject of a long political dispute (Source: Serbian news coverage of the event).

²⁴⁰ As mentioned by Ambassador Degert in his speech at the First National Conference on Decentralisation, 29 March 2010.

²⁴¹ Austrian Development Agency.

²⁴² Formerly known as GTZ.

According to the aforementioned Law and the Statute of Vojvodina, which is the basic act of the province, Vojvodina has the right to have a unicameral Assembly with representatives elected by direct elections, the right to an executive government, and the right to their own symbols (the flag, the anthem and the coat of arms).

The financial autonomy of the Vojvodina province is determined by the Article 184 of the Constitution of the Republic of Serbia, which stipulates that Vojvodina has power over its own budget that should be at least 7% of the budget of the Republic of Serbia, where three sevenths of this budget has to be allocated to capital investments.

The province is financed through its own-source revenues and through transfers from the national budget. Vojvodina generates its revenues from the following sources: (1) the collection of taxes, levies and other charges; (2) revenues from the property over which it holds a legal title; (3) by partaking of the revenues of public undertakings and institutions; (4) from public loans; (5) commercial loans and credits; (6) transfer of budgetary means; (7) receipt of donations and other free-of-charge appropriations; and (8) from other sources²⁴³.

However, the transfer of competencies is not accompanied with adequate financial resources, which later creates a problem with the effective implementation of the policies²⁴⁴.

The allocated budget of the Vojvodina's government in the fiscal year of 2011 is 60.7 billion RSD, which is slightly less than €600 million. Most of the budget allocations are given to the Secretariat for Education (26.9 billion RSD). The Secretariat for Agriculture has received 5.77 billion RSD and the Secretariat for Economy has received 1.61 billion RSD. The allocated budget for the Capital Investment Fund is 9.3 billion RSD, the Provincial fund for Agricultural Development has received 1.3 billion RSD and 400 million RSD are allocated to the implementation of active labour market policies²⁴⁵.

As mentioned before, there is no legislation that gives property rights to the Autonomous Province of Vojvodina since all public property is still owned by the Republic of Serbia²⁴⁶. Recently, the Government of the Republic of Serbia has established a working group for drafting the Law on property of local self-government units, appointing Mr. Bojan Kostres, a former president of the Vojvodina's Assembly, to be the chairman. The working group should propose the draft version of the Law in Mid-May of 2011. However, there is a second version of the Law on self-government property rights, already prepared by "Ujedinjeni Regioni Srbije", a political party that participate in the ruling coalition of the Serbian government²⁴⁷. In the next few months it will be clear which one of two versions Laws will be submitted to the Parliament of Serbia for implementation.

The Vojvodina's government has the competency of planning the economical development in its territory. In that regard, the government of Vojvodina has paid a lot of attention to creating provincial institutions for supporting the economical development and advancing their management and operational capacities²⁴⁸.

²⁴³ Article 63 of the Statute of Autonomous Province of Vojvodina.

²⁴⁴ This was additionally confirmed through field interviews with interlocutors from Vojvodina. Please see Annex 1 for the full list of interviewed stakeholders.

²⁴⁵ The website of the Vojvodina's Government,

http://www.vojvodina.gov.rs/index.php?option=com_ab_archives&year=2010&month=12 (available only in Serbian), last visit on 14 May 2011

²⁴⁶ Even the building where the Vojvodina Government is placed belongs to the Republic of Serbia.

²⁴⁷ This political party has collected more than 350,000 signatures of Serbian citizens that request decentralisation, more allocation of powers and resources to the local self-government units (including Autonomous Province of Vojvodina), changes of the Law on local self-government finance and adoption of the Law on local self-government property.

²⁴⁸ For the full list of the provincial institutions with competencies in economic development please see the first SeeNet report on Autonomous Province of Vojvodina, p.10-11, available at <http://www.cespi.it/SeeNet/Vojvodina.pdf>, last visit on 14 May 2011.

Moreover, the provincial government, mainly through the Provincial Secretariat for Economy²⁴⁹, actively supports numerous project initiatives and business opportunities (including financial and non-financial support) that can contribute to the socio-economic development in Vojvodina. Among other activities, the Vojvodina's government supports the creation of business incubators and knowledge innovation centres, cluster initiatives, industrial zones, business start-up initiatives, participation in trade fair exhibition and many other initiatives. Furthermore, the Vojvodina's government provides sector-based incentives for agricultural production, metal processing industry, ICT²⁵⁰ sector and tourism through credit lines, financial incentives and subvention grants.

In 2006, the Secretariat for Economy initiated a Cluster Development Programme that was implemented in partnership with the University and two clusters, the plastics and packaging cluster "JATO" from Subotica and the metal processing cluster "MEMOS" from Indjija. Within that programme, the Secretariat implemented two cycles of grants (in 2007 and 2008), for a total value of €65,000, or 6 million RSD.

Within this programme 8 cluster initiatives were supported by technical assistance in building their operational and management capacities, promotional activities, participation at fairs, organisations of seminars and conferences, etc. The programme was complementary with a similar national programme run by the Ministry of Economy of the Republic of Serbia.

As part of the programme, the Centre for Competitiveness and Cluster Development has been established in the University of Novi Sad, with the aim to provide technical assistance for advancing the capacities of cluster initiatives in Vojvodina. The Centre has prepared the draft of the Strategy for the Establishment and Development of Cluster Initiatives in the Autonomous Province of Vojvodina for 2007-2011²⁵¹ and has provided training and coaching activities to all the cluster initiatives supported by the programme.

After 2008 the provincial government shifted its interest from supporting cluster initiatives to more sectoral support to private sector development. As a consequence, most of the cluster initiatives established and supported by the above mentioned programme did not manage to survive or their level of activities is minimal since their administrative capacities has remained low and undeveloped.

There is a second wave of establishing cluster initiatives in Vojvodina, starting in 2009 and continuing until nowadays. The most prominent and successful clusters created in this time are the Vojvodina ICT cluster²⁵² from Novi Sad, the Cluster for Health Tourism of Vojvodina from Kanjiza²⁵³ and the newly established Vojvodina Metal Cluster²⁵⁴. The Vojvodina's government supports all three clusters with financial and non-financial tools. There are other initiatives such as

²⁴⁹ Ministries in the Government of Vojvodina are called Secretariats. For the activities of the Secretariat please visit <http://www.spriv.vojvodina.gov.rs> (available only in Serbian), last visit on 14 May 2011.

²⁵⁰ ICT - Information and Communication Technologies.

²⁵¹ It is not clear whether the Vojvodina's Assembly approved this strategy. In any case, this policy document has not been implemented in the past. The draft of the strategy is available at the website: http://www.spriv.vojvodina.gov.rs/spriv_files_for_download/razvoj_klastera_strategija_apv.pdf, last visit on 14 May 2011.

²⁵² More about Vojvodina ICT cluster is available at their official website <http://www.vojvodinaictcluster.org>, last visit on 14 May 2011.

²⁵³ More about Cluster for Health Tourism of Vojvodina is available at their official website <http://www.vojvodinaspa.info>, last visit on 14 May 2011.

²⁵⁴ Vojvodina Metal Cluster (VMC) is a new initiative for networking of metal processing industry in Vojvodina, initiated by the municipality of Temerin, Vojvodina Chamber of Commerce, Vojvodina Investment Promotion Fund and the Regional Centre for Business Certification and Standardisation from Novi Sad. The initiative has been supported by the Delegation of the EU in Serbia with a grant of 860 thousand Euros.

the establishment of a cluster of wine producers in Fruska Gora²⁵⁵, area targeted by the SeeNet project intervention.

It is also important to mention the new project initiative “Food Production and Renewable Energy Sectors Clustering Potentials in the Cross-Border Area“, financed by the EU IPA Cross-Border Co-operation programme Serbia-Hungary. The project is jointly implemented by the Chamber of Economy of Vojvodina, as the lead partner, with Vojvodina-CESS as its partner, in co-operation with the Chamber of Commerce and Industry of Csongrad County, as the cross-border partner²⁵⁶.

3. MULTI-LEVEL DYNAMICS

The Republic of Serbia is a country with asymmetric decentralisation, where only the Autonomous Province of Vojvodina enjoys the status as intermediate tier of government between the local and the national level. The autonomous status of Vojvodina has been restored by the Constitution of Serbia and the Law on Establishing Competencies of the Autonomous Province of Vojvodina. Vojvodina has the Statute as a supreme legal act that further elaborates the autonomy of the Province. Vojvodina has a directly elected unicameral Assembly and the Executive Government with 12 Provincial Secretariats²⁵⁷. Six languages are in official use in Vojvodina: Serbian, Hungarian, Croatian, Slovak, Romanian and Rusyn.

Institutional thickness in Vojvodina is quite high, much higher than in all other parts of Serbia. Vojvodina’s government has put a lot of efforts with the creation of institutions that will support the socio-economic development of the province. Among these institutions are the Development Bank of Vojvodina, the Vojvodina Investment Promotion Fund, the Vojvodina Agriculture Development Fund, the Fund for Capital Investments, the Centre for Strategic Economic Studies “Vojvodina CESS”, and many others²⁵⁸.

Besides the institutions established by the Vojvodina Province, there are also other institutions of public, semi-public and private sector that also contribute to the development of the province.

Vojvodina has a Chamber of Commerce, which is very active in supporting business sector in the province²⁵⁹.

There are three regional development agencies in Vojvodina, covering three historical regions: Srem²⁶⁰, Banat²⁶¹ and Backa²⁶². These agencies were founded in the form of partnership between

²⁵⁵ This cluster has been initiated by wine producers in Fruska Gora and supported by the Department of viticulture of the Faculty of Agriculture and the development agency “Alma-Mons” from Novi Sad.

²⁵⁶ More about the project is available at <http://www.vojvodina-cess.org/index.php?baseaction=content&mediumid=2&pagid=117&fontsize=12>, last visit on 22 May 2011.

²⁵⁷ The Executive Government of Vojvodina was reconstructed on the 5th April 2011, reducing the number of Secretariats from 17 to 12.

²⁵⁸ For the full list of the provincial institutions with competencies in economic development please see the first SeeNet report on Autonomous Province of Vojvodina, p.10-11, available at <http://www.cespi.it/SeeNet/Vojvodina.pdf>, last visit on 14 May 2011.

²⁵⁹ Official presentation of the Vojvodina Chamber of Commerce is available at <http://www.pkv.rs>, last visit on 14 May 2011.

²⁶⁰ Official presentation of the Regional Development Agency “Srem” is available at <http://www.rrasrem.rs>, last visit on 14 May 2011.

²⁶¹ Official presentation of the Regional Development Agency “Banat” is available at <http://www.banat.rs>, last visit on 14 May 2011.

²⁶² Official presentation of the Regional Development Agency “Backa” is available at <http://www.rda-backa.rs>, last visit on 14 May 2011.

cities, municipalities and private sector entities. Currently, those three agencies are in the process of being accredited by the Serbian Government²⁶³.

There are several other public-private initiatives in Vojvodina such as clusters, business incubators, start-up centres, technological parks, industrial zones, development agencies, etc, active either at the local (municipal), sub-regional (district) or provincial level (Vojvodina).

In addition to this, numerous municipalities in Vojvodina have established the Local Economic Development Offices, either as part of the municipal administration or as semi-independent legal entities.

Civil society organisations are also quite active in Vojvodina, providing development services to municipalities, business, but also to disadvantaged groups such as women, ethnic minorities, people with disabilities, etc.

Finally, the University of Novi Sad, public and private faculties and research institutes are also active players in the development scene of the Autonomous Province of Vojvodina.

In parallel with the creation of institutions, the Government of Vojvodina puts a lot of efforts in the creation of strategic policy framework for various segments of socio-economic development in the province.

At this moment, the Government is investing in the development of three important strategies: (1) Strategy for the Regional Development of the Autonomous Province of Vojvodina²⁶⁴, (2) Strategy for the Development of Business Incubators²⁶⁵, and (3) the Vojvodina Export Strategy. All three strategies are at the developing stage, so far not available for public use.

The assignment of developing those three strategies is given to the Centre for Strategic Economic Studies (Vojvodina CESS), who co-ordinates the process between experts and key stakeholders. A significant number of prominent national and international experts were involved in the process of developing those strategies²⁶⁶. All three strategies will be subject to public debate and this will give opportunity to different public and private actors to contribute with their comments and suggestions to the improvement of these documents.

There is quite an intensive multi-layered, multi-dimensional and multi-sectoral dynamism among different public and private development actors in Vojvodina. However, the perception of the rules and the quality of the game significantly differs among representatives of the various actors of the development arena.

Interviewed stakeholders from the provincial government emphasised that the allocation of competencies from the central level does not correspond to appropriate allocation of financial resources. Therefore, it is difficult to implement all the competencies in an efficient manner.

²⁶³ For the purpose of ensuring balanced regional development, the Law on Regional Development of the Republic of Serbia stipulates accreditation of the Regional Development Agencies, prescribing the maximum number of agencies per each NUTS 2 region. According to the Law, Vojvodina Region should have three regional development agencies.

²⁶⁴ The Strategy is intended to define a functional model of regional development, basic priorities and modes of its realisation in the period 2011-2015, all in accordance with the Law on Regional Development (Source: <http://www.vojvodina-cess.org/index.php?baseaction=content&mediumid=2&pagid=229&fontsize=12>, last visit on 21 May 2011).

²⁶⁵ There are two complementary initiatives in regard to development of business incubators in Vojvodina: the first one is developing a Strategy for development of business incubators and the second is establishment of the Fund for Building Business Incubators (BBI). Both initiatives are funded by the support of the Austrian Development Agency within the programme Strategic Partnership in Support of the Integrated Regional Development Plan (IRDP) of the Autonomous Province of Vojvodina. While the strategy development is co-ordinated by Vojvodina-CESS, the BBI is managed by the Secretariat of Economy of the Provincial Government.

²⁶⁶ While the Strategy for Regional Development has been developed under facilitation of Mr. Edvard Jakopin, a director of the Republic Development Bureau, facilitation of the Strategy for Development of Business Incubators has been done by Prof. Blagoje Paunovic from Faculty of Economics, Belgrade.

The second concern is the lack of competencies in dealing with certain issues, which limits the provincial efforts to improve socio-economic conditions on its own territory. For instance, although Vojvodina is in charge of the regional development in its own territory²⁶⁷, according to the Law on Regional Development, it is not allowed to establish an agency that will manage the involvement of horizontal actors and co-ordinate subordinate development agencies from lower tiers. Therefore, there is a lack of institutional mechanisms for co-ordination of efforts for regional development between the provincial and lower levels of governments.

Since Vojvodina does not have an exclusive right to the execution of the most of the allocated competencies, there is a need for co-operation between different tiers of governments. The interviewed officials claimed satisfaction with the level and quality of communication and co-operation with the higher (central) and lower (local) tier of government. It was emphasised that the quality of communication is better if the same political party leads the co-operating institutions since, in those cases, internal party communication channels are used for advocacy or lobbying, or simply for strengthening the relationships between the actors²⁶⁸. Communication and co-operation with institutions led by different parties within the ruling coalition has also been marked as good, yet often sensitive to the turbulences within the coalition government at the national level. In some cases the civil servants have established very good co-operation among themselves, which goes beyond the political colour of parties that run the institutions of concern²⁶⁹.

Co-operation between the provincial government, and cities/municipalities ruled by the political parties in opposition to the ruling coalition at the provincial level was difficult in the past, though in the last two years it has significantly improved. The opposition mayors and other local officials regularly participate in the co-ordination of meetings organised by the provincial government. The awareness of local authorities on regional development is increasing, though inter-municipal co-operation is preferably initiated among municipalities with the same political colour.

The provincial government provides support for the local self-governments to absorb more EU funds, thus solving some of their developmental needs. In that regard the provincial government invested resources for developing local economic development strategies and training municipal staff in writing project proposals for EU calls. Besides, in cooperation with the provincial government, Vojvodina-CESS initiated the project “Absorption Capacities of the AP of Vojvodina for using EU funds”, with the main goal to strengthen capacities of local and provincial authorities for using available EU funds²⁷⁰.

Co-operation with regional development agencies is also at a high level. The provincial government supported all three regional development agencies to get the operational grant from the Delegation of the EU in Serbia. The provincial government also put efforts into aligning local economic development strategies with the Vojvodina Regional Development Strategy²⁷¹. Moreover, despite the fact the Law on Regional Development of the Republic of Serbia is not providing the legal ground for Vojvodina to establish a provincial development agency, the provincial government is

²⁶⁷ As written in the Constitution of Serbia, the Law on Establishing Competences of the Autonomous Province of Vojvodina and the Statute of Autonomous Province of Vojvodina.

²⁶⁸ The Ruling coalition of Vojvodina’s Government comprises of almost the same political parties as the ruling coalition of Serbian Government. However, there are the cases when two different parties within the ruling coalition have opposing opinion in regard to certain issues. The most evident example is the previously explained situation with the preparation of the draft Law on the local self-government property.

²⁶⁹ Such example is the co-operation between Ms. Zorica Maric, representative of the Ministry of Economy and Regional Development in charge for cluster development and Mr. Ljubomir Aleksic, a person in charge of competitiveness and cluster development within the provincial government.

²⁷⁰ More information is available at the Vojvodina-CESS website: <http://www.vojvodina-cess.org/index.php?baseaction=content&mediumid=2&pagid=117&fontsize=12>, last visit on 22 May 2011.

²⁷¹ This was confirmed during the interview with Mr Miodrag Jovovic, Deputy Provincial Secretary and Mr Srdjan Vezmar, Director of the Regional Development Agency “Backa”.

trying to create institutional modality for harmonisation and co-ordination of all activities in regard to the socio-economic development of the province and its municipalities.

The provincial officials also claimed a very good co-operation with the horizontal state-, and non-state actors such as representatives from the University, semi-public and private institutions, as well as civil society organisation. The main purpose for the horizontal co-operation is the efficient use of all available institutional and organisational resources for maximisation of Vojvodina's development utility. Therefore, the provincial government is paying significant attention to networking, involving various development actors in the consultative processes in regard to all development issues. Besides, the provincial government supports numerous initiatives of non-state actors, either financially²⁷² or non-financially. In general, the provincial secretariats are open to discuss any development initiative that comes either from public, private or non-profit sector.

The interviewed interlocutors from non-state actors have had a somewhat different opinion on decentralisation and multi-level dynamics at the provincial and local level²⁷³. However, the voices of non-state actors have not been uniform and differed on the basis of the topic of discussion.

In general, the non-state actors have claimed a low degree of political and fiscal decentralisation, either at the provincial or at the municipal/city level. The majority of the interviewed stakeholders have claimed no progress in governance and dialogue between different actors since the authorities did not change the pattern of behaviour. There have been even claims that, after receiving competencies from the central level, there is a tendency to provincial *Jacobinism*, which describes the process of concentration of power at the provincial level at the expense of local governments.

There is agreement among interviewed non-state actors on the limited financial resources of the provincial government to deal with all allocated competencies. The non-state actors perceive political nepotism in all processes of provincial government that involve giving financial incentives and grants to non-profit organisations, support to municipalities, universities, private sector initiatives, etc. There is a general belief that only political allies are granted with the financial incentives from the provincial budget, especially in relation to grants of a significant size²⁷⁴.

The provincial government is much more proactive when seeking co-operation with no-cost involvement such as participation to conferences, round tables, strategy development workshops, etc. However, there have been some voices that claim lack of transparency of the provincial government even in those cases, since the calls for participation to such events are never published.

Non-state actors have different experiences in networking with the provincial government, going on a scale from being very positive to negative. In general, private sector entities have more problems in networking with the provincial authorities than non-profit actors. Non-state actors assessed the degree of *civiness*²⁷⁵ in Vojvodina as weak since there is no civic activism, pluralism and public debates on any important topic of the society.

Non-state actors recognise the efforts and energy of the majority of Secretaries and their deputies. However, the capacity of the provincial administration is weak, it is not reformed and cannot answer to contemporary needs of socio-economic development in Vojvodina.

²⁷² For instance, the provincial government has a fund that gives small-scale grants to non-governmental organisations from Vojvodina. The last call for application was closed on the 16th May 2011.

²⁷³ Interviewed non-state actors included a representative of the University (Prof. Pere Tumbas), two private sector representatives (Ksenija Vlaovic and Jana Radakovic), business support organisation representative (Milica Vracaric) and non-governmental organisation representative (Aleksandar Popov). The interviews with those actors covered both topics: general perception on decentralisation processes in Serbia and Vojvodina in particular, and support to economic development/local productive systems in Vojvodina.

²⁷⁴ None of the interviewed actors defined the meaning "a significant size" in this context but they explain it refers to grants that are higher than the few hundred Euros (in RSD) the provincial government is giving to start-up initiatives, grass-root NGOs, etc.

²⁷⁵ *Civiness* is the capacity of institutions, organizations and procedures to stimulate, reproduce, and cultivate civility.

Both, state and non-state actors have mentioned the lack of local and regional statistics as a constraint to their development work.

4. CONCLUSIONS

The allocation of competencies and resources to decentralised units of the Republic of Serbia is among the most controversial topics in the contemporary Serbian political scene²⁷⁶. Although the level of competencies of the local self-government units has been increased with the new Constitution and accompanied Laws, Serbia remains to be among the most centralised countries in Europe.

Republic of Serbia is an asymmetrically decentralised country with two autonomous provinces, where the sovereignty over one of them (Kosovo and Metohija) is internationally contested. The Autonomous status of Vojvodina province is restored by the Constitution and further refined by the Law on Establishing Competencies of the Autonomous Province of Vojvodina and by the Statute of Vojvodina, the basic legal act of the province.

According to the legislations, the Autonomous Province of Vojvodina has an Assembly with 120 seats and the Executive branch of the government. The Constitution stipulates that the budget of Vojvodina should be at least 7% of the budget of the Republic of Serbia, financed through its own-source revenues and through transfers from the national budget.

The main question about the degree of decentralisation in Vojvodina is whether it is a fully fledged autonomy or a “boat made of paper”. Indeed, the legal and institutional architecture of Vojvodina’s autonomy is rather complex since it is characterised by two issues: (1) Vojvodina’s government does not have full autonomy on the implementation of most of the allocated competencies since these are shared with other tiers of government, and (2) transfer of competencies is not accompanied by adequate financial resources.

These two issues create dynamics at the provincial level that includes (1) vertical co-ordination between different tiers of governments, which aims at effectively implementing the allocated competencies, and (2) horizontal co-operation with public and non-state actors which seeks efficiency through networking and optimal use of available resources for maximising development utility.

There is good co-operation between the authorities and institutions of different tiers of government, yet that might be ascribed to the same political colour of the government coalition at the central and provincial level. However, a multi-level governance and functionality of Vojvodina’s autonomy might be an issue in future circumstances, when different political options will rule different tiers of governments.

Although the allocated competencies have not been supported by adequate financial resources, the Vojvodina’s government is trying hard to maximise its development potentials. In that regard, numerous provincial institutions have been created and their capacities have been significantly advanced. A great deal has been devolved to development of important strategic policy documents that target regional development, competitiveness, small and medium-sized enterprises and entrepreneurship, export of goods, etc. Those strategy development processes have been done in consultative processes with private sector and civil society organisations.

²⁷⁶ In the last month Google indexed 31,600 results on topic “Decentralizacija” (in English: Decentralisation), on May 16, 2011.

The level of co-operation with horizontal actors from public and private sector has been increased, though non-state actors are not satisfied with the quality of the interaction.

The provincial government is supporting numerous development initiatives, including establishment of clusters, business incubators, innovative entrepreneurship and start-up enterprises, industrial zones, etc. However, transparency of allocation of financial resources to development projects is vague, creating the perception that only political allies are entitled to get incentives and grants of a significant size.

The perception of interlocutors is that the provincial administration has a weak capacity to implement assigned competencies, especially contemporary administrative issues and innovative policies that have been developed through external technical assistance financed by donor agencies.

To conclude, there is a high degree of multi-level dynamics in Vojvodina, much higher than in all other parts of Serbia. The government of Vojvodina is involved in horizontal and vertical co-ordination and co-operation with state and non-state actors, trying to maximise its utility for socio-economic development of the province. This process is not always efficient, neither transparent, but it certainly creates good dynamics of mobilising actors and raising awareness on development issues in Vojvodina.

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