

1. Context

Since May 2006, GTZ has been advising the Government of Serbia on reforming its internal financing systems. Concretely, this involves implementing the new law governing the financing of local self government, and the transfer of competences to the local level which that entails.

2. Objectives

The project aims to place municipal financing on a more reliable and self-determined footing. Fiscal decentralisation is not, however, a reform that will one day be completed. The management of fiscal relations within the state is rather the subject of an ongoing negotiatory process. Consequently, the project aims to help establish a culture of discussion and negotiation between representatives of the national and municipal levels.

3. Who are the partners?

The policymaking partner is the Ministry of Finance of the Republic of Serbia, where key decisions are taken on reforming internal economic relations.

Serbia's Standing Conference of Towns and Municipalities (SCTM) is a key partner in implementation, playing a moderating role between the two levels of government.

Other important partners are the individual pilot municipalities, the Ministry of Public Administration and Local Self Government, and the expert parliamentary committees.

4. What is being done concretely?

The project approach involves delivering advisory services at three levels. At the level of the Republic, the responsible ministries and parliament are being advised on the creation of legal frameworks. At the local level, selected pilot municipalities are being supported in assuming their new competences. Thirdly, Serbia's Standing Conference of Towns and Municipalities (SCTM) is being strengthened in its role of moderating between the two levels.

Concrete measures:

- ◆ development of expertise, sustainable structures and procedures for a "municipal financing network" within the SCTM
- ◆ joint activities involving all stakeholders, to reduce fear of contact and create a culture of discussion
- ◆ support of municipalities in raising real property tax, in order to exhaust the untapped potential income
- ◆ establishment of legislative procedures involving the Ministry of Finance, parliament and the SCTM.

5. Who are the beneficiaries?

In the first instance the beneficiaries are of course the municipalities, in so far as they are treated as equal partners in fiscal decentralisation. As they receive more income of their own, municipalities will also assume greater responsibility for their budgets. The closer proximity of the decision-makers to citizens promises a more citizen-friendly service offering. Ultimately improved local public service delivery and greater co-determination are the key driving force behind all fiscal decentralisation.

6. What has been achieved to date?

In selected pilot municipalities, technical and financial support has helped make possible the launch of fiscal departments, and new tax software has been introduced.

Within SCTM, the professional expertise needed for fiscal decentralisation has been established. Furthermore, regional round tables and workshops have been held at which all Serbia's municipalities have been informed of the reforms and have received professional training on a regular basis. A network for the municipal tax departments has been established within the SCTM, and the negotiation of framework agreements with favourable terms for the municipalities has been initiated.

By 2007 a handful of "pilot municipalities" were able to significantly increase their income from real property tax, despite adverse circumstances. Through SCTM they are now sharing their experiences with other municipalities. In 2008, no less than 42 municipalities have decided to raise real property tax themselves, and are being continuously supported in doing so.

More and more municipalities are becoming actively involved in the work of SCTM, and are acknowledging its value. Municipalities are becoming increasingly aware of their rights and obligations and, drawing on the experiences shared through SCTM, are discharging their role with growing self-awareness.

Representatives of the level of the Republic are also increasingly coming to hold the work of the SCTM in high regard. At joint events they regularly respond to the questions posed by the municipalities, and recognise and acknowledge the needs and inputs of the municipalities in the reform process. Increasingly, communication between the levels of government is being coordinated through SCTM.

Fiscal decentralisation and the reform process are increasingly being covered by the media, raising public awareness of these issues.

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