



**Making
Good
Governance
Tangible**





Making Good Governance Tangible



Programme Funded by EU



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European Partnership with Municipalities Programme



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Testimonials

Late in 2010 the European Partnerships with Municipalities Programme EU PROGRES commenced preliminary meetings with municipalities on how to add value primarily to infrastructure projects by embedding good governance concepts and principles into their implementation. The notion was a novelty to the vast portion of the interlocutors with only a few local officials willing to grasp the concept and deal with the pertaining good governance related activities that were to be linked to implementation of a sub-project. That was no surprise to any of us in EU PROGRES as this Programme's approach to the introduction of good governance was unique in Serbia then, and remains so to date.

United Nations Office for Project Services - UNOPS Serbia has made sure that the good governance approach was interweaved not only throughout the Programme and all of its activities but within the organization itself as well. We have set up a system which ensured that each activity that is to be implemented has been observed and, if need be, addressed according to the good governance requirements both from theoretical and practical aspects.

This in practice means that by endeavouring to mainstream good governance in implementation of infrastructure projects the Programme has commenced the process of building capacities in municipalities to replicate the methodology and the approach in other municipal projects. This contributes to the overall sustainability of the sub-project, and increases accountability and transparency of local self-governments. This long-term process will ultimately assist responsible authorities to bring more order to local community development efforts with the ultimate goal of increasing the citizens' quality of life.

This booklet comes as a result of our work on good governance throughout the last several years. It is meant to be both a brief overview of what the Programme achieved in this field, and as an in-principle guide for future strives in positively affecting peoples' lives through practical application of the good governance concept and its principles. I hope it will serve both of its purposes well.

I will take this opportunity to thank the Government of Switzerland represented by the Swiss Agency for Development and Cooperation (SDC) which made this task possible, the experts it provided as 'back stoppers', the Delegation of the European Union to the Republic of Serbia as co-donor and the Serbian European Integration Office, all of which lead and fully support the reform mechanisms that this initiative entails. Credit must also go to EU PROGRES staff who all fully embraced the initiative as well as to most importantly those local municipal managers who recognized and continue to see the long-term benefits that this process can bring to their constituency.

Graeme Tyndall
UNOPS Serbia Project Centre Director
EU PROGRES Programme Manager

The needs of the Serbian municipalities are not different from the needs of Swiss municipalities: stability, good municipal services, equal treatment of all citizens, a minimum of bureaucracy, integrity of political bodies and of the administration and moderate fees and taxes is what we all should be striving for. As Backstoppers, we have tried to use our knowledge and experience from Switzerland in the Serbian context.

The main difference between Serbian and Swiss municipalities is that in Switzerland important issues have to be decided in a citizens' vote. This prevents political bodies to govern with no consideration for the citizens' real needs.

Moreover, in Switzerland we can look back on an approximately 200 years' governance experience. This is something to always remember when working in the area of governance in other countries. Governance projects - contrary to infrastructure projects - cannot be implemented in only one or two years; major governance reforms need a timeframe of ten, 20 years or even several decades. And since we all know that development cooperation is always also dependent on domestic politics, patience to wait for long-term success is often missing.

We must point out that governance projects are risky investments. Many of these reforms may bring only little if any benefit. However, the possibility of failures should not discourage anyone from entering reforms.

Not everything that glitters is gold - even in Switzerland. In the end there is no alternative to improving governance at all levels. We have learned a lot in Serbia and we will be able to use this experience also in Switzerland.

It is a source of great satisfaction for us to see how the EU PROGRES - governance team has improved its capacities and how the Serbian municipalities have undertaken the first concrete steps in the area of improving governance. We wish you continued success, as all your efforts are worth it.

Dr Daniel Arn
Dr Mirjam Strecker

**Dr Daniel Arn and Dr Mirjam Strecker served as good governance Backstoppers supported by the SDC. They are leading experts in governance issues in Switzerland.*



Part I Introduction

Good Governance

What is it and why is it Important?

According to the former United Nations (UN) Secretary - General Kofi Annan, "Good governance is perhaps the single most important factor in eradicating poverty and promoting development". In a recent publication Rachel Gisslquist, an UN University researcher, points to the fact that "despite the importance of the good governance debate to international development policy, there remains considerable confusion over a basic question: what is governance, and especially *good* governance?"

Good governance (GG) is, first of all, a *normative concept* that has been promoted during the past 20 years in development cooperation, by almost all major development institutions, such as World Bank, United Nations Development Programme, Organisation for Economic Co-operation and Development, European Union and different bilateral donors. Although there is a wide consensus that governance matters for development, there is no common understanding - and there probably is

no objective truth - about the question what is good governance.

European Partnership with Municipalities Programme - EU PROGRES is implementing good governance projects with the support of the Swiss Agency for Development Cooperation (SDC). The SDC has defined five principles that need to be adhered to in order to achieve good governance. These are:



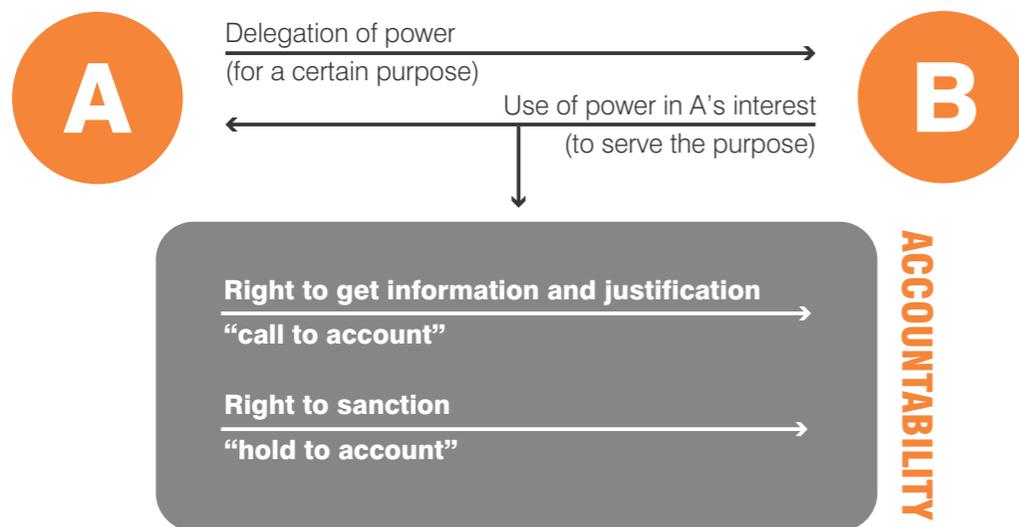
Each of these principles shall be explained briefly in the following chapters in order to give the reader a clearer picture of what EU PROGRES means when talking about good governance.

Accountability

Accountability refers to a set of mechanisms that ensure that (public) power is used in the ultimate interest of the citizens. It is the overarching principle of the concept of good governance and has many facets.

An accountable state is based on the idea that public power is not absolute power, but the “collective” power of the citizens that has been *delegated* from the citizens (as principles) to the state (as their agent), with the expectation that the state uses this power in the interest of the citizens. In order to make sure that the rulers (i.e. those representing the state) do not abuse the delegated powers, the citizens - in a good state - will keep some rights in their hands: simply put, they expect the officials to *inform and justify* the use of public power (i.e. they keep the right to call public officials to account) and they want to be in a position to *sanction* officials who do not fulfil their expectations (i.e. they keep the right to hold public officials accountable, for example, through elections, but also through mechanisms like judicial review and so forth).





The municipalities are a part of the state and as such also accountable for the use of their powers. While municipal politicians receive their political mandate from the local population (through elections), a large

part of their tasks is transferred from the central state. This is why municipalities are accountable not only downwards, to their citizens, but also upwards, to the central state.



The citizens, but also the central state can hold municipalities accountable only if the following conditions are fulfilled:

- ✦ Clear assignment of responsibilities (if we do not know what the municipality and - single office-holders within the municipality - are responsible for, we cannot hold it/them accountable);
- ✦ Information (if we do not know what the municipality, i.e. those acting for the municipality, did we cannot hold it/them accountable);
- ✦ Sanction (if something went wrong, mechanisms must be in place to sanction those responsible for the misdeeds).

The result of putting the mentioned elements together is the following table. It shows that the principle of accountability is very far-reaching and addresses numerous questions related to the relation between the central state and the municipalities, but also regarding the internal organisation of the municipalities and the citizens' rights.

	Vertical dimension (between municipality and central state)	Horizontal dimension (between different organs of municipality, including citizens)
Clear assingment of responsibilities - no interference	Assignment of tasks and finances between central and local state Sphere of local autonomy (and its protection)	Bodies of the municipality and their powers Protection of the system of powers
Information (mechanisms to call to account)	e.g. duty to keep records, reporting, approvals, control visits, investigations, etc.	e.g. duty to keep records, publicity of meetings, reporting, parliamentary instruments, etc.
Sanctions (mechanisms to hold to account)	Can central government hold local government to account? On what grounds (legal/political)?	Can citizens hold municipality to account? On what grounds (legal/political)?

Reference to an example: Sports Facility and Accountability (page 34)

Transparency

The state is a very complex organisation. We have seen that accountability can only be expected if, somehow, those disposing of sanctioning mechanisms *know* (1) who was responsible for what and (2) who did a good or a bad job. The principle of transparency serves this purpose and is actually a part of the principle of accountability.

The principle of transparency refers to a multitude of arrangements targeted at achieving traceability of the state's actions. It requires:

- ✦ Transparent organisation and procedures (for example, transparent budget and accounting procedures; transparent public procurement procedures and so forth);
- ✦ Publicity of the state's actions (for example, publicity of meetings, active information by the state, access to information of public importance and so forth);
- ✦ An appropriate regulation of information flows within the state (i.e. between the bodies of the municipality, but also between the municipality and the central state; for example, standard reporting procedures, special investigations and so forth).

Reference to an example:

Green Market and Transparency (page 37)



Participation

This principle deals with the question: "who contributes in what way to the municipal decision-making process".

There are two distinct categories of mechanisms granting citizens (or the civil society) possibilities to contribute to a decision-making process of the municipality:

- ✦ *Strong* mechanisms of citizen participation grant the citizens *decision-making authority*: this means that the final decision is made by the citizens (for example, through a votation or an election). Strong mechanisms of citizen participation provide democratic legitimacy to a decision. Only those entitled to the right to vote may participate in a strong participation decision making process. The will of the majority of the citizens (entitled to vote) is binding for everybody.
- ✦ *Soft* mechanisms of citizen participation allow citizen to *voice their opinion* but in the end the

(competent) municipal body takes a decision in its own responsibility. Soft mechanisms of citizen participation can enhance the quality of a decision. Soft mechanisms of citizen participation are, for example, budgetary hearings, public information events, the right to petition, the right to be consulted within the law-making procedure and other. Since the competent bodies of the municipality take the final decision, those participating through soft mechanisms do not necessarily need to be entitled to vote. Also the larger civil society (including special interest organizations) may be included in mechanisms of soft participation.

Reference to an example: Kindergarten and Participation (page 41)



Non-discrimination

The principle of non-discrimination requires equal treatment of an individual or group irrespective of their particular characteristics, and is used to assess apparently neutral criteria that may produce effects which systematically disadvantage persons possessing those characteristics.

Non-discrimination means not only that no individual or group (including minorities, vulnerable and marginalised), may be excluded from decision making and access to resources, but also that specific strategies and activities were planned and executed aiming to ward off potential or existing points from which discrimination could stem. This implies that proactive public integration policies for excluded or marginalised groups need to be implemented.

*Reference to an example:
Kindergarten and Non-discrimination (page 44)*

Efficiency

Efficiency means that public resources (material, financial, human, time) are being used in the optimal way (cost/benefit ratio). For example, a system that uses fewer resources to achieve its goals is efficient, in contrast to the one that wastes much of what is available.

Efficiency of a municipality is a broad topic that includes questions such as:

- What tasks shall the municipality perform?
- Shall the municipality produce itself or buy services from a third party (“make or buy”)?
- How to organise and achieve Inter-municipal cooperation?
- How to achieve optimal organisation of administration?
- How to finance tasks?

*Reference to an example:
Water Supply and Efficiency (page 46)*

¹ More information on the topic “Make or Buy” on page 22

How to make good governance principles tangible?

So far we have dealt with the concept of good governance (what is it, why is it important?) and with the principles that SDC considers as the most relevant ones. These principles might give you a general idea what good governance is all about, but they still do not give very clear answers about how to proceed in concrete reform projects.

This is why it is useful to disentangle the principles and get down to the “real world” issues that are to be decided in concrete projects in a municipality.

EU PROGRES supported a number of municipalities in implementing small good governance projects that were most often connected to an infrastructure project. Very often the issues of the “Rule of Law” and questions in the area “make or buy” were actually at stake.

- The “Rule of Law” means, besides other things, that every state action needs to be based on a law (principle of legality). Contrary to the principles of good governance, the principle is universally known and it provides concrete answers with regard to an important question,

namely: which body of the state or municipality - should take what decisions in what detail and in what legal form. The principle of legality of state actions is one of the cornerstones for ensuring accountability in a state.

- The questions related to “make or buy” are omnipresent not only in our everyday and in economic life, but also within the state. What are the pros and cons of fulfilling tasks on its own or to buy services on the market, what are the basic questions that need to be answered before being able to decide whether to make or buy, what are the risks? The topic make or buy is closely linked with the principle of efficiency.

The next two chapters will introduce the reader to the general guidelines developed in the area of Rule of Law and “make or buy”.

In Part II of this manual, some concrete reform projects, which have been implemented in EU PROGRES during the past three years, will be presented.

An Important Guarantor of Accountability: the Rule of Law



The core element of the Rule of Law is the principle of legality of the state actions. According to this principle **every state activity needs to be based on a valid legal norm that is enacted by the competent body in sufficient detail.**

Basic idea

“Every state activity needs to be based on a valid legal norm...”

The basic idea of the principle of legality is that the state, (including all its bodies) is bound by the law. It is to be seen as one element of the accountability principle: the citizens, delegating powers to the state, want to make sure that the state uses these powers according to certain rules which are set out in the laws. The principle of legality is the main mechanism ensuring that a state is not acting arbitrarily, according to the will of certain public officials, but rather based on agreed norms that are applied to everybody in an equal manner. This makes the state activities predictable - the state becomes a reliable partner rather than an authoritarian apparatus.

Two elements need to be explained right at the beginning: What is a norm? When is a norm valid?

Norms that shall serve as a base for the state activities must be *general* and *abstract*.

“General” means that they are in principle addressed to everybody, not only to a certain circle of individuals. “Abstract” implies that the norm regulates an issue in an abstract manner, i.e. in a way that it is applicable to an unlimited number of facts. For example a norm stating that every building needs a permission in order to be built legally is general and abstract. It is addressed to anybody who wants to build a house and it regulates all potential situations of houses that will be built.

A general-abstract norm must be *valid* in order to

serve as a base for the state activities. It is valid only if it is enacted by the competent body of the state (the competences normally being set out in a constitution or a law) and if it is *in line with higher ranking legislation*.

The highest-ranking legislation is the constitution (which is, often, enacted by the citizens, through a referendum). In the second range there are laws, which are adopted by the legislative body, normally the parliament. And in the third range we have norms adopted by the executive body. An ordinance adopted by the executive body, for example, may serve as a basis for state activities if it is in line with the laws and with the constitution.

There is another hierarchy between the norms of a higher state level and of decentralised state levels. In general one can say that norms of a decentralised state level need to be in line with the norms of the central state in order to be valid (although the situation may be more complex in certain cases).





Two functions of the principle of legality

The principle of legality has two distinct (but interrelated) functions:

- ↖ In its *democratic* function it ensures that state activities are democratically legitimate. It provides a guideline for deciding *by whom* an issue must be regulated. In very general terms it can be said that:
 - Important issues need to be regulated by law (i.e. by an act of the legislative body), whereas
 - Less important issues may be regulated by the executive body.
- ↖ In its *“Rule of Law”* function it ensures the predictability of state activities and equal treatment under the law. It provides a guideline for deciding *how much in detail* an issue must be regulated.

Democratic function

“... norm that is enacted by the competent body...”

For the sake of democratic legitimacy important issues need to be regulated by the legislative body (the lawmaker). But what is important?

To answer this question one has to be aware of a tension between legitimacy of state actions on the one side and the ability to act on the other side. If all details would need to be regulated by the legislative body, the state would not be able to act in its everyday business.

In Switzerland, the jurisdiction of the federal court has defined the following criteria for defining in which case an issue is *so important* that it is in need of a legal base enacted by the legislative body:

- ↖ A big number of individuals are affected by a regulation (e.g. the construction regulation, water regulation); or
- ↖ Considerable intensity of a regulation for individuals, even if they are only a few (for example, serious infringements on fundamental rights such as the conditions under which the provision of water can be denied); or
- ↖ Considerable financial consequences of a regulation (for example, the duty to pay fees, this aspect will be explained in detail below); or
- ↖ High political importance (for example, highly contested issues such as the conditions under which begging may be forbidden); or
- ↖ High importance of a regulation for the political system (for example, provisions allocating public power to the different bodies of the municipality, such as the provisions stating up to which amount a body is allowed to spend public money); or
- ↖ High organisational importance of a regulation (for example, outsourcing of public tasks to a third party such as another municipality, a private company or a public utility company); or
- ↖ Substantial departure from previous regulations.

Less important issues, i.e. the “details” of a regulation, but also technical issues and questions that need to be reconsidered from time to time (flexibility), can be regulated by the executive body.

A good *example* for illustrating how these criteria are applied in practice can be found in the area of user fees/charges. The following elements are considered to be important and need to be regulated by the lawmaker (examples of respective regulation in the area of water supply are shown below in brackets):

- ↖ Who has to pay? (The owner of the building? The person renting an apartment?)
- ↖ For what? (For the fact of being connected to the water distribution network? For the consumption of water?)
- ↖ How the amount due is determined in its basics (Water consumption fee per m³? Connection fee per water tabs? A politically sensitive - and therefore important - question is the ratio between the consumption fee and the connection fee)
- ↖ Are there any exemptions (Situations in which no or a reduced amount of consumption or connection fee is due)?

The following elements are considered as being less important:

- ↖ Defining the exact amount of the fee (within a given framework);
- ↖ Defining the details (for example, deadline for payments, and so forth).

Rule of Law function “... in sufficient detail.”

For the sake of predictability and for equal treatment under the law a norm must be enacted in sufficient detail. But what is sufficient?

Here too there is a tension between on the one side the principle of predictability of state actions (tending at regulating everything in great detail) and on the other side the idea that there should be justice in each individual case (tending at regulating in less detail and leaving room for manoeuvre for those applying the regulation to concrete cases). In general, the regulation should be in such detail that the individual knows in advance what will happen and therefore is in a position to act accordingly.

For example, a municipal norm stating that in the late evening it is forbidden for young people to stroll around on public roads and that everybody who disregards the prohibition will be sanctioned by a fine, is not detailed enough. What is late? Who is considered to be young? What amount of fine can be stated? Such a regulation does not give individuals advance information on what they are allowed or prohibited to do. It can therefore not be a basis for sanctioning an individual in a specific case.

What if the principle of legality of state actions is disregarded?

The principle can fulfil its functions only if there are consequences when it is disregarded. An act that is...

- ✦ Not at all based on a legal norm,
- ✦ Based on a legal norm which is in contradiction to a higher-ranking legal norm (and therefore invalid),
- ✦ Based on a legal norm which has not been enacted by the competent body (for example, a norm enacted by the executive body regulating very important issues),
- ✦ Based on a legal norm that is not sufficiently detailed.

... must be challengeable in court. It is of great importance that a functioning judicial system is in place where individuals can complain against illegal acts of state bodies and where they can expect an impartial sentence within an acceptable time frame.



An Important Guarantor of Efficiency: Make or Buy



“Make or buy” addresses a question that is relevant in the private sector, but also in the public sector, namely whether a service should be provided by a company - or by a municipality - on its own, or whether the service should be bought from a third party.

The owner of a house must decide whether (s)he wants to paint the walls herself/himself or whether (s)he wants to buy the service from a painter. The owner of a small company has to decide whether (s)he wants, for example, to engage an own employee for the accounting or whether (s)he buys the services of a specialised accounting company. A municipality also has to ask these questions: Should the cleaning of the roads be done using own employees? Or should it buy services from the private sector? Or - another possibility - shall it establish a Public Utility Company which then will perform the services? Or could it even buy the services from a neighbouring municipality or co-produce them with a private partner?

This chapter will focus on the issue of how municipalities can perform their tasks.

Fulfilling of municipal tasks: *make or buy?*

In principle there are three possibilities to fulfil a municipal task:

- a** The municipality fulfils the tasks using its own employees (“MAKE”)
- b** The municipality outsources the task to “own” company (“MAKE & BUY”)
- c** The municipality buys services from a third party (“BUY”)

The municipality can also decide (if higher-ranking law allows it) that a municipal task shall not be performed anymore (DON'T MAKE, DON'T BUY). If it takes such a decision, the respective task is privatised, i.e. left over to the private sector, and the municipality is no longer responsible for that task.

Why not only *make*?

The main reason for buying services (without being involved in one way or another in the production of the service) is ensuring economic behaviour (services that are offered on the market conditions, i.e. in competition with other service providers, are generally provided at a cheaper price). Buying services is actually a very simple and effective solution. However, this option is available only where a market situation exists. In many areas of public service provision this condition is not fulfilled.

But there may still be reasons for buying services from an own (or co-owned) company (“make and buy”), such as:

- ↖ Cooperation with a third party, for example, with another municipality;
- ↖ Separating the operational business from the every-day politics;
- ↖ Granting operational autonomy.

Outsourcing: *make and buy*

Importance of having owner's strategy

When a municipality decides to outsource certain services to own company it should always be aware that the company does not necessarily pursue the same interests as the municipality. In general the municipality's interest is a political interest (for example, perform services of good quality to all citizens in an equitable manner for affordable prices), whereas the company's interest is an economic interest (maximising benefits). The difference of interests can create potential for tensions between the owner (the municipality) and the manager (the decision-makers of the company). It is of utmost importance for the municipality to ensure that the responsibilities of the company (and, respectively, of the municipality) are clearly set out.

In order to oblige the company to fulfil (also) the municipal interests it is, above all, important, that the municipality itself is clear about what it wants: it needs to develop its “owner’s strategy”. Such a strategy should answer the following questions:

What shall the company do, what it should not? Here, an example of a Swiss inter-municipal company may be cited: the company is responsible for sewage. It decides to use the slick for producing energy (biogas) and realises that it can earn a lot of money by doing this. It therefore starts buying slick from other sewage companies and produces even more energy. While the production of energy with own slick might still be covered by the task of the company, buying slick from other companies and pushing energy production is clearly out of the task area of that company.

What needs to be regulated by the community (municipality), what is being regulated by the market?

Who represents the owner on the board of the company (or should the municipality be represented at all on the board)?

What rules will be applied in case of a conflict between the owner (the municipality) and the company?

In which areas does the company dispose of autonomy? For example:

- Human resources
- Finance
- Organisation

What decisions are to be taken by the political bodies (i.e. by the municipality)? For example:

- Decisions regarding fees and charges
- Other important political decisions

How is reporting (from the company to the municipality) organised?

Make or buy - in the Canton of Bern, Switzerland

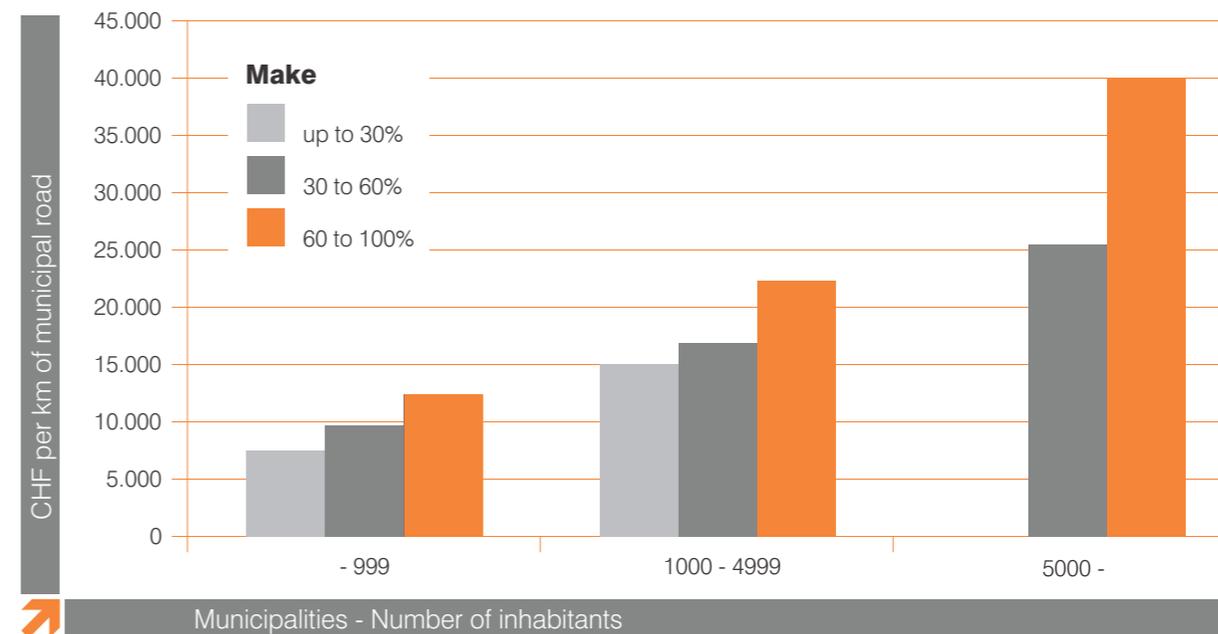
A study about performing municipal tasks in the Canton of Bern showed that municipalities are providing almost 50% of their tasks on their own, that they are producing about one third of their tasks with own (or co-owned/co-steered) companies and that they are buying services for the remaining part (approx. 17%) of their tasks.

With regard to the maintenance of municipal roads 57% of the municipalities are providing that task on their own whereas 41% are buying the respective services on the market and only 2 % are providing the task through an own (or co-owned/co-steered) company.

There is a general belief that where a market situation exists it makes sense to buy the respective services on the market. A cost-comparison between the different modes (make, make and buy, buy) carried

out in the Canton of Bern showed indeed that costs for the maintenance of roads per km were higher when municipalities maintained them on their own than when they bought the respective services on the market. The main factor for explaining the difference of costs was seen in higher remuneration of public officials.

Canton of Berne: Comparison of costs for maintenance of municipal roads (make and buy)

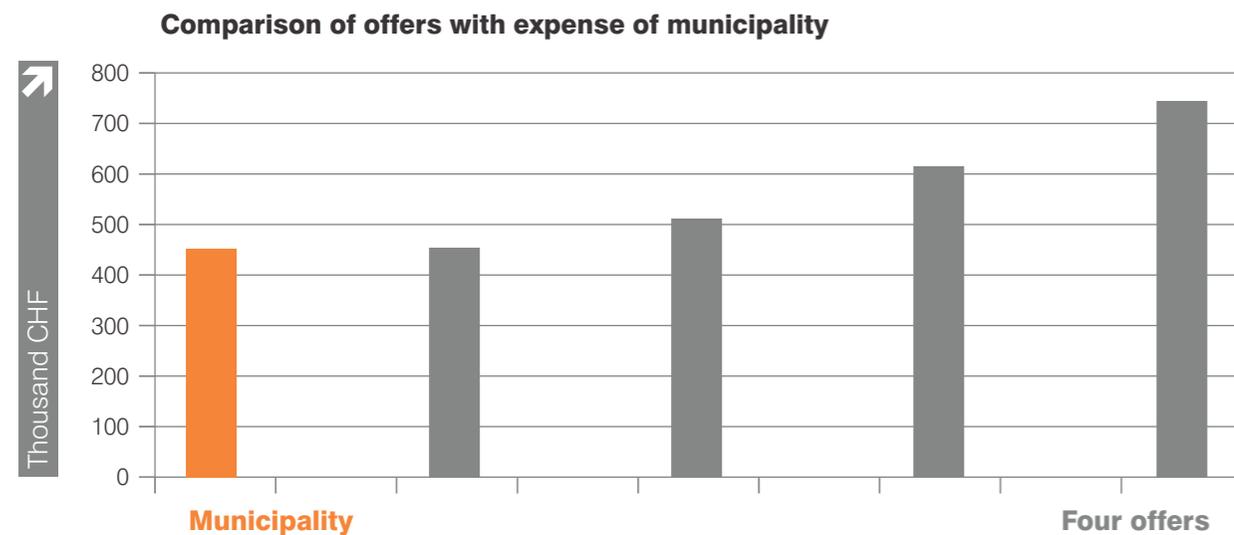


There is, however, no infallible and immutable recipe that can be extended to all cases. For every single case it is necessary to weigh all the pros and cons. Costs are an important factor, but by far not the only argument.

In one municipality, there was discussion whether the cemetery shall be operated by the municipality (as was the case in the past) or whether the respective services should be bought on the market.

In order to enable a discussion of that topic based on the facts the municipality launched a project in the scope of which the following data was collected:

- ↖ What exactly is the task to be done?
- ↖ What are the true costs of the services (including overhead costs and internal service charges) when provided by the municipality?
- ↖ What prices would private firms charge for providing these services? The analysis of four tenders came to the following findings:



Since all offers from the third parties were more expensive than providing the service by the municipal administration, the municipal parliament decided not to change the mode of fulfilling that task. The main reason for the well-functioning and effective operation of the cemetery by the municipal administration was probably the fact that they had a very good manager of these services. Interestingly, the most expensive offer came from a private firm that was engaged to provide the same services in a neighbouring municipality – a municipality with very high costs for operating its cemetery, probably because it never decided to compare costs of different service providers.

Overall, there is no truth regarding the question whether a municipality should provide services on its own or whether it should buy these services on the market. It is therefore always important to take an informed decision based on as many facts as possible.

Make - with others - and buy

Inter-municipal cooperation

There is one special case of “make and buy” - when municipalities are cooperating with other municipalities.

The benefits of inter-municipal cooperation are:

- ↖ More professionalism
- ↖ Synergies/economies of scale
- ↖ Creating an optimal perimeter for fulfilling a certain task
- ↖ Enhancing the quality of the output.

On the other side, there are also risks that need to be taken into account:

- ↖ Inherent dynamism: the municipal representatives delegated to steering boards of inter-municipal organisations dealing with specific tasks tend to prioritise their task and to take on a technocratic approach
- ↖ Missing holistic approach: due to focus on one specific task the municipal representatives often fail to see the bigger picture
- ↖ The enhanced professionalism might result in higher costs
- ↖ Inter-municipal organisations often operate under loose control - democratic control by the citizens (i.e. their representatives) is restricted, and often there is no market situation that could have a disciplining effect. The result is loss of closeness to citizens and of accountability.

The mentioned risks point to the importance of having a clear owners' strategy and the tools (information, sanctioning possibilities) to successfully implement or even enforce that strategy.

There are different legal forms for organising inter-municipal cooperation, ranging from contractual solutions to joint founding of a new legal entity (in the forms of private or public law). The question as to what legal form a joint fulfilment of a municipal task should take is to be answered at the very end of a reform process.

Public Private Partnership

A blessing or a curse?

Another interesting model of “make and buy” is the Public Private Partnership (PPP), although there are also many obstacles related to it. One should always bear in mind that since it is about fulfilment of a public task the political responsibility remains with the municipality. The municipality cannot get rid of that responsibility by choosing the model of PPP. In the end it is a division of labour between the municipality and a private company where typically the economic risks are (at least to a certain extent) with the private company (and all political risks are with the municipality).

It is of utmost importance to clearly regulate the relationship between the municipality and the private partner in a contract: who constructs? Who

maintains? Who finances? What exactly is the role of the private partner: is (s)he only the investor or does (s)he also play a role in the operation?

In Switzerland we often see that the private partners are very well informed and organised and that the municipalities are hardly in a position to safeguard their interests vis-à-vis their highly specialised partners.

Make or buy: conclusions

There is no truth in choosing a model for fulfilling municipal tasks: “make and buy” both have pros and cons. It is important to always weigh all opportunities and risks and to enable the political bodies to take an informed decision, based on (political, economic and financial) facts rather than ideologies.

In any case, municipalities should ensure transparency: they must know what happens “in the field” and they also must prepare exit strategies, for example, if cooperation with a third party should develop unfavourably. For quite a lot of municipal services there is no market situation (or not a functioning market situation). In all these situations it is generally better to produce services on its own than to buy services from a third party.



A Short Introduction into the Approach



The concept of good governance (GG) and its contents are still subject of many discussions among the scholars. For the last couple of decades, the academia was trying to reach a consensus on what exactly this concept should entail and what it should mean when translated into real life. Also, *how* to transfer such an abstract concept as GG and its principles into a meaningful, *tangible* matter for ordinary citizens was and still is very much a subject of dialogue among many scholars.

Following the Swiss theory and experiences on the subject, the EU PROGRES Programme approach to the challenge to hypostasize the concept was adapted to the overall objectives, conditions and general circumstances of a development programme that was being implemented in present-day Serbia.

What does this mean and how did we do it?

Every activity in a development programme, funded by international donors, should bring about a certain positive change in the receiving society as a whole, or in this case, more precisely, in the receiving community. That was the first premise.

Since the Programme has been implemented in an

impoverished transitional society, where little or no interest for “academic discussions” (as talk about GG often tends to be perceived) could be found among public officials, especially among those from small, economically devastated municipalities, where day-to-day existential challenges were taking up most of their energy and time, the modus for introducing the concept and its principles, and making them tangible and visible both to the involved officials and to the citizenry as well, had to include a good-enough *reason*. This reason was found in (but was not limited only to) the infrastructure component of the Programme. Linked to implementation of a specific Programme project (for example infrastructure), the good governance concept and its principles could bring desired change to a community. That was the second premise.

The following examples should explain this approach even further.

In **Sjenica**, the Programme funded replacement of obsolete and aged water pumps for the municipal water supply system. The GG part of the intervention was formally agreed with the Municipality of Sjenica, which sent a memorandum confirming its readiness and pertaining obligations to fully implement the

activities to enhance good governance with the infrastructure implementation. The infrastructure intervention was about to bring some substantial savings to the local self-government (LSG) and the GG part of the intervention was, in agreement with the municipality, focused on that aspect. Questions such as: does the municipality have a decision how the saved up funds will be re-allocated and for which purpose? Who will be spending them and based on what local regulation? Who will be covering the costs of water production and distribution to the socially deprived and based on what decision/regulation? What provisions does the current Public Utility Company (PUC) for water supply provide for these matters and what is there to be changed? The process that followed, carried out in parallel with the actual implementation of the infrastructure project, involved the line local self-government's departments and PUCs (legal, financial) whose representatives worked with the Programme staff who were providing technical support and GG-expertise. After a year and a half, the result of the process was that the competent bodies of the local self-government (the Assembly and the Council) had adopted new or improved the existing local regulations, ordering up the situation surrounding provision of much more efficient water pumps. These regulations for example, include Decision on

Water Distribution; Decision of Charges of Water Consumption and Utility Services; Decision on the Rights of Citizens in the Field of Social Protection (considering the funds saved up by the project); a conclusion to authorize the PUC to exempt socially vulnerable citizens from paying utility services; amendment of the PUC Statute and the organisational Rulebook.

In **Lebane**, the Programme had a similar infrastructure intervention, but the GG topic was somewhat different. This municipality had grave problems with summer droughts and the whole issue was not addressed properly by either at-that-time ruling local self-government or the line PUC's regulations. This means, among other things, that water distribution during the summer droughts within the urban area was arbitrary, with no clear regulations, causing frustration and dissatisfaction of the citizens with the situation and with the local administration. The Programme's approach to addressing this was in-principle exactly the same as in previous case, with understandably different outcomes – meaning: the local self-government prepared a decision on water distribution, with clear regulations on when, who and what can expect in terms of water supply during the summer droughts.

Other GG aspects of the projects were addressed in the same manner.

In **Bojnik**, the municipality applied for funds to (re)construct the municipal Green Market. Applying the same approach, the Programme focused its GG-intervention, for example, on the following questions: is there a proper document governing the PUC? What regulation addresses renting of the stalls? What is the rent-cost structure and who decides upon it? Are the clients of the Green Market services (the sellers) aware of the rules and regulations? During this process, the municipality drafted and later on adopted valid legal decisions and regulations addressing these issues.

The same approach was applied in all municipalities that were awarded with a grant for a municipal infrastructure project.

The Programme applied the same in-principle approach, obviously adjusted for the scope of the intervention, to the so-called inter-municipal infrastructure projects. From the GG point of view, the challenge here was different and the task was more demanding.

Indeed, designing and organizing projects that involve two and more municipalities, posed quite a test to the Programme: while in municipal infrastructure projects, one entity was solely in ownership of all processes pertaining to the implementation of all aspects of the project, including the GG, it was quite a different picture when it came to two or more municipalities sharing the benefits from the project, and - more importantly - the responsibilities.

Questions such as the following popped-up: who

initiated the project and with what authority/capacity; what analysis was behind the initiation; who is the owner of the whole process and to whom and how this was assigned; who are the project partners and what regulates their involvement; who is going to be responsible for the inter-municipal project; would there be a legal entity and who would be establishing this and under what authority; how would this entity be organised, what rules would be applied, and who would be setting them; what are the roles of principle stakeholders (LSGs) and what document regulated this; who would be steering the infrastructure project, based on what authority and set by whom; what the project agreement would look like and what the process behind reaching agreement on it would be, and so forth.

So many necessary questions, necessary to make an inter-municipal project sustainable, to say the least.

This example should help depicting the process the Programme carried out in several inter-municipal infrastructure projects that it funded.

The **Regional Centre for Development of Agriculture** (RCDA) was an inter-municipal project worth several hundreds of thousands of Euros for the three participating municipalities - Sjenica, Tutin and Novi Pazar. The challenge from the very beginning was, among others, how to define the founding and managing rights among the three municipalities. The Centre itself was to provide several services, such as laboratory, registration of cattle and sheep in the area, procurement of agriculture machine equipment which will provide better conditions for cattle food production, education for local farmers, and so forth.

In addressing this project GG-wise, the Programme designed and implemented a whole host of activities that assisted the relevant local self-governments' bodies and instances in adoption of the following documents, among others: the Conclusion on joining the new members and increasing the initial capital for the RCDA Ltd company (Sjenica Assembly), decisions on joining the RCDA Ltd. (Novi Pazar and Tutin assemblies), decision on appointed members to the RCDA Assembly; the management contract of the RCDA Ltd. The official registration of the Regional Centre for Development of Agriculture for Pešter finished by the end of June 2013.

These GG interventions may seem limited, but they were just the necessary *first steps*: "the GG concept" and "the principles" soon after initiating the process and asking these questions, became approachable, comprehensible and reasonable to the interlocutors in the municipalities: they *accepted* the notion it was actually about ordering up their communities, *bettering* the lives of their citizens - *even* with these very small steps.

What was even more important is that the local officials grasped the notion that it's a *lasting* process, *applicable* to *any* other segment of life in the community, and that it can happen *regardless* of the international donors' presence and funds.

At the end of the process, the municipalities in question got their green markets, improved water supply systems, kindergartens and so forth, but more importantly, they also got the regulatory framework which secures that public endeavours in service provision to the citizens are more accountable, more transparent and sustainable, as they should be, contributing thus to an overall improvement in the citizens' quality of life.



Sports Facility and Accountability

The construction of the indoor sports facility infrastructure project was aimed at improving the citizens' quality of life, inclusion of children and young people in sport activities and provision of space that can be used by persons with disabilities. The facility is used for physical education of students and for organisation of numerous sports and other manifestations.

The principle of accountability - overarching principle of good governance

In order to determine the intervention and good governance principle that should be introduced within this infrastructure project, it was necessary to conduct the process of current situation assessment based on a range of questions:

- Who has the competence for the facility management?
- Which legal documents regulate the rights and duties of facility management and users?
- Which organisational model is stipulated for facility management?
- How are renting of terms and use of the facility regulated?

- How is financial sustainability of the facility regulated?
- Is there a price list for the sports facility use?

Accountability refers to a set of mechanisms ensuring that (public) power is used in the ultimate interest of the citizens.

Taking into account citizens' need to use the Sports Hall the intervention was directed towards defining and increasing accountability of competent institutions related to decisions pertaining to public interest.

Key elements for achieving accountability

The municipality is the owner of the facility, while the Tourist Organisation is the manager and user thereof.

In order to define clearly the competences of the facility manager who provides the citizens with the related service, the first step in this process was the adoption of the *Decision on transfer of rights on the use and management of the facility to the Tourist Organisation*.

Pursuant to the Decision on transfer of rights on the use and management of the facility, the Tourist Organisation was assigned responsibility to maintain this facility, which is in public ownership and is a property of public interest, in addition to enabling the use of the facility and access to all citizens, keeping its operational capacity as well ensuring its financial sustainability.

The Tourist Organisation, as the facility manager, also got the obligation to define the following through its Rulebook:

- Price list for the facility use,
- Criteria and categories for users with certain use-related priority,
- Rights and duties of service users,
- Definition of anti-discrimination mechanisms.

Taking into account that the indoor sports facility is funded from the municipal budget, but also partially from its own revenues, the Tourist Organisation was also entrusted with responsibility to establish clear criteria and ways to generate own revenues in order to ensure future financial sustainability of the facility.

Thus, one of the articles under the *Rulebook on use of indoor sports facility* stipulates that the Tourist Organisation shall ensure sustainability and self-financing of the facility through commercial operation and through generation of its own revenue from the following: lease of the facility to recreational individuals both individually and through the trade union; lease of advertising space in the facility to interested companies according to the effective price list. The facility shall be financed from the municipal budget and from its own resources.

In order for the Tourist Organisation to additionally meet the prescribed responsibilities with regard to enabling the availability of the facility to all citizens thereof, the Rulebook stipulates an additional article pursuant to which the competent municipal authority passes a decision on the use of the facility without compensation for certain groups of citizens, which shall be abided by the Tourist Organisation.

Establishment of a formal accountability system, which defines positions of certain subjects and mutual obligations, enabled the provision of proper resources and implementation of the project aimed at satisfaction of citizens' needs.

For example, the Rulebook on use of indoor sports facility services sets forth the instructions for functioning, regulates the code of conduct in the facility, as well as labour and other persons' relations. Furthermore, ways and criteria for renting of terms have been defined, implying clear procedures for renting and submission of documentation, with obligatory provision of information about rights and duties to service users and providers. Certain prohibitions influencing their protection have been clearly presented, degree of accountability determined, as well as sanctions for violation of the provisions stipulated in the Rulebook.

By additionally regulating accountability of all participants in the process, the Tourist Organisation adopted *House Rules* for the Sports Hall, which adequately regulates use of all facilities and obligations of their users.

Accountability of the Sports Hall management in the provision of relevant services was also focused on duties of the management itself pertaining to principles of gender equality, religious, ethnic and social equality and encouraging of socially vulnerable groups to use the facility under privileges.

Changes generated due to the introduction of the good governance principle into the infrastructure project

By introducing the principle of accountability within this infrastructure project, the added value is reflected through transparent presentation of competences, rights and duties of all actors, thus contributing to more effective accountability of the process and relations contained within. This specific example shows the framework of accountability which defines who refers to whom in the process.

Improving the regulatory framework enabled regulation of accountability of the Tourist Organisation; the Sports Hall management is monitoring the quality of provided services as well, but also responsibilities of the Sports Hall users.

On the other hand, clear obligations were defined to enable financial sustainability of the facility, which also means accessibility of this facility to all users in the region in the years to come.

Adoption of proper regulations, i.e. the Decision on the transfer of rights and the Rulebook on the use of indoor sports facility, increased the visibility, accountability and measurability of the sports facility management's work.

Accountability cannot be implemented without transparency and respect of the rule of law. Observance of the adopted regulations through application of clear and visible accountability of all players at the same time reduces the space for corruptive activity.

In addition, equal treatment of all service users is ensured through rights and duties prescribed by the Rulebook, thus guaranteeing quality of relations and services.

The ultimate effect of the establishment of regulatory framework is the satisfaction of citizens' needs.



Green Market and Transparency

The project was aimed at provision of support to agricultural production development by extending infrastructure capacities of the existing green market. A facility for sale of dairy products and administrative building were constructed, while at the time institutional capacities for successful market management were strengthened.

The principle of transparency

In addition to the realisation of the infrastructure part of the project, the intervention was focused on the establishment of the transparency principle, i.e. establishment of rules to regulate the whole market place.

The competence for market space management and for the provision of services to users was awarded to the local public company. It should regulate and implement certain rules, provide the users with equal treatment in the use of market space, as well as guarantees that services it provides will be of good quality and continual, and affordable to all users' categories.

During the situation assessment, a number of

questions were raised which directed further intervention:

- Which legal documents regulate the work of the market place?
- What organisational model is stipulated for the market place management?
- Who controls collection of the rents paid for points of sale?
- How will the points of sale be distributed for permanent and occasional salespersons?

Many other questions were also brought up and contributed to the respect and establishment of good governance principle within this infrastructure project.

Based on the situation assessment, it was concluded that no proper regulations and mechanisms were in place to regulate sales area in the market in a clear, understandable and primarily transparent way. Certain weaknesses were noticed related to the transparent way of point of sale use, control mechanisms for services charging, procedures for market stands rent, price list and other provisions necessary for regulation and improvement of the work and use of this public space.

All the aforementioned weaknesses influenced the intervention, which was therefore focused on the introduction of transparency principle, which would help in providing the users with clear, affordable, regulated and proper services.

Transparent organisation and regulations

The first step towards the introduction of the transparency principle was drafting of proper

regulations, i.e. the *Decision on the market place rules* and the *Rulebook on provision and use of market stands*.

The Decision and the Rulebook are to establish transparent organisation of market stands, clear roles and accountabilities of all participants in this process, well-defined competence system, legally defined procedures as well as manners of informing on the issues of importance for all stakeholders.

By means of adoption of these documents a set of measures have been defined with the purpose of establishing mechanisms regulating the following:

- ✦ Implementation of certain procedures and supervision
- ✦ Rules and procedures with regard to the use of market stands and public space
- ✦ Equal treatment of users and all stakeholders
- ✦ Rules with regard to the access of market stands and to the compensation fee
- ✦ Possibility for service users to lodge complaints
- ✦ Availability and information flow.

Having in mind that the transparency principle is in fact merely a part of a more comprehensive principle i.e. the accountability principle, we can say that a prerequisite to make someone (institutions, companies, individuals) accountable for work is with regard to informing of the public or of stakeholders.

In this particular instance the adopted Decision regulates the following crucial provisions:

- ✦ The organisation of trade in goods on the market,
- ✦ Equal duties applicable to all users,

- ✦ The Conditions under which trade in goods can be conducted,
- ✦ Obtainment of rights to use points of sale through application of preferential use rights and auctions,
- ✦ Deadlines for bids submission and possibilities to appeal,
- ✦ Working hours, and
- ✦ The service fee.

With regard to organisation of the market place, both the Decision and the Rulebook clearly define what organisation and conditions of trade in goods at the market imply, i.e. organisation according to the purpose and type of goods such as clearly marked sections for agricultural-food products (fruit, vegetables, and dairy products), non-food and craft products and other retail goods. In addition to the aforementioned, requirements pertaining to display of goods at places specified in advance have also been defined as well as sanctions for the failure to abide by the Rulebook.

The decision also regulates the way how the rights on the points of sale use are obtained, i.e. through public auction conducted in compliance with public procurement rules, which is advertised in public media and in public places.

In compliance with the Rulebook a Commission is formed for purposes relating to the lease of market stands and its task is to implement public bidding procedures, determine the timelines of the down payment, and perform the selection of the most favourable bidder. Upon proposal of the Company General Manager the Commission appoints members of the Steering Committee as a permanent working body.



Decision also regulates certain areas in which the goods regulated in advance can be sold with displayed company name, possession of the proof of rent or reservation of the point of sale which is submitted to authorised person controlling the points of sale use.

The specified examples are merely a part of an overview of defined regulations and mechanisms for establishment of the degree of responsibility and transparency of work of the local public company, as well as of availability of information to service users.

As the transparency principle is closely related to the principle of accountability, it can be rightfully stated that this specific project, through the adoption of proper regulatory framework, established one more principle of good governance which regulates rights and duties of all stakeholders.

Good governance requires a high level of transparency, but also accountability of work in public services, especially services which cover large number of users.

Changes generated due to the introduction of the good governance principle into the infrastructure project

Direct impact of these changes in the market place management is visible through availability of information, higher efficiency, effectiveness and service quality, and through established rules and users' needs, which should be fulfilled. This regulation increased the visibility, openness, even measurability of the local public company work, at the same time reducing the space for corruption.

The decision also contributed to the fact that service users are provided with clear information about their rights and duties, as well as rights and duties of service providers, thus ensuring publicity and transparency of work, observance of precisely defined and known procedures in the decision making process.

Based on the provisions defined in the Decision and the Rulebook, and through the establishment of transparency in the local public company work, the number of agricultural producers interested in the use of market space increased, which additionally affected the growth in this local public company's revenues. Furthermore, introduction of good governance principle also ensured the sustainability of this infrastructure project.

By adopting the Decision on market place rules and the Rulebook on provision and use of the market stands, local public company has become the first company in the district to introduce principles of good governance in its operation.

On the other hand, transparent regulation and establishment of the rules of use and rent of market stands enabled users to access the services of this public place with equal rights, to improve their work and indirectly contribute to development of agricultural production.

Kindergarten and Participation



There were two projects of the construction of kindergartens. Both municipalities were facing the problems of overfilled kindergartens, long waiting lists for admission or were lacking preschool institutions in the communities with large number of parents and children.

The principle of participation

Parents of the children enrolled in kindergartens were identified as the target group that must either be involved in the decision making processes, or contribute to the processes by giving recommendations and advice. *Parent Council* is the body through which parents can participate in the work of the kindergarten. The Statute of preschool institutions or the Rules of Procedure regulate the scope of work of the Parent Council. There is no single pattern or practice for arranging the operation of the Council, for its work is governed by preschool institutions themselves. The Parent Council consists of parents who are chosen through elections conducted among parents. It is, therefore, a *representative body* of all parents. This solution is in line with the principle of participation, but that does not mean that the scope of its work covers all

aspects of functioning of the kindergarten, which may be important for the parents and their willingness to participate in the decision-making process. Autonomy in kindergarten administration enabled that parents' participation was strengthened in a way that administration arranged the following items by legal documents that are available:

- ☛ The opportunity for parents whose children were not enrolled in kindergarten to submit complaints to the Commission for the admission of children in kindergarten was created.
- ☛ The Appeals Committee, which deals with complaints from parents, was formed. One parent from the Council of Parents participates in the work of this commission.

These two issues are regulated by the *Rulebook on the admission of children to preschool institution*.

The management of the kindergarten addressed the opportunities for direct participation of parents in decision-making processes as well:

- ☛ Parents should periodically evaluate the work of kindergarten and express their satisfaction or dissatisfaction with its work
- ☛ On the other hand, in some ad hoc situations, the management of the kindergarten is legally obliged to obtain permission from parents for certain activities of kindergarten, for example, to seek permission from the parent to exhibit the photograph of his/her child in the kindergarten, or in situations when parents financially participate in some activity of the kindergarten.

In these cases the management of the kindergarten performs the *process of surveying parents*. For periodical evaluation of the performance of kindergarten, the administration distributes questionnaires to most parents from all groups of children. Groups are formed either according to age of children, or on some other basis, such as the group of children with disabilities. The questionnaire consists of a set of questions through which parents annually evaluate the work of the kindergarten.

The same principle is applied in *ad hoc* situations, provided that parents usually give answers to only one or a few questions. Through the implementation of the two infrastructure projects, kindergarten administrations got a software tool that facilitates the implementation of the survey process. This tool speeds up the preparation of the questionnaire, conducts an analysis of parents' responses and graphically displays them, serves as a database for any interview process and allows comparison of data from periodic surveys.

Changes generated due to the introduction of the good governance principle into the infrastructure project

By applying these measures, kindergartens significantly strengthened the participation of parents. By regulating the appeal process and the engagement of parents in the work of the committee that decides on appeals, the parents were given the right but also the duty to participate in the decision as to whether a complaint is justified or not. The principle of transparency is strengthened in this case, because the parents have immediate insight into the work of the Commission and complaints that parents submit to the Commission.

The implementation of the process of periodic parent surveys provides data that indicate the strengths and weaknesses in the work of the kindergarten. This way, the kindergarten administration receives the data on what should be improved or changed in the operation. Comparison of survey results from the two periods indicates a decline or improvement in the quality of service in a given period - this also helps kindergarten in planning of activities. Using surveys in *ad hoc* situations, parents directly decide on certain issues and take responsibility for the decision.

Through the process of surveying, parents also participate in deciding on the novelties that kindergarten administration wants to use. Besides, questions serve to inform parents about plans for further activities in the kindergarten.

Finally, the goal of participation is to improve the services provided by the kindergarten. Parents, as service users, through mechanisms of participation in decision-making, steer the work of the kindergarten in the direction of their expectations, because the parents want the best for their children in any segment of kindergarten's work.



Kindergarten and Non-discrimination

The project included the construction of a kindergarten in one of the youngest municipalities in Serbia with 38,000 inhabitants, where 11% of the total population are children under the age of seven, while the population growth rate is 15%. Due to a large percentage of preschool children in the municipality, there was great interest and need for expansion of capacities for full day accommodation and care for children.

The principle of non-discrimination

The constructed kindergarten belongs to the public preschool institution founded by the municipality. The Law on Preschool Education, which is the umbrella regulation for a number of preschool education issues, leaves room for preschool education institution to independently regulate important issues by its own bylaws. In drafting bylaws, the relevant institutions are obliged to respect the basic principles and the principles of the Law. Since these principles are in harmony with the principles of good governance, there were no barriers for preschool institutions to create bylaws that will govern the relationship of the institution and

its customers, in accordance with the principles of good governance.

Basic questions generated during the implementation of the project were:

- How does the kindergarten receive information on the status of customers, particularly those related to social status and possible vulnerability? Is there a regulated system for admission of children?
- Is there positive discrimination of the children from vulnerable groups?
- Is there a transparent price list and how are the prices of the kindergarten services determined?
- Are there any differences in prices for parents from vulnerable groups?

The preschool institution regulates these issues by bylaws respecting the Law and the *principle of non-discrimination*, i.e. by regulating *positive discrimination* towards customers who are from vulnerable groups. Adopted bylaws govern the admission of children by strict and pre-defined criteria, giving priority to children who are from vulnerable groups.

- *A request for enrolment of a child* is a form defined by the preschool institution, which provides preschool institution's insight into the status of their clients, with particular emphasis on the social status. It is filled in by parents who apply for the enrolment of their children in the kindergarten.
- *The Rulebook for admission of children to Preschool institution* is a bylaw passed by the preschool institution and it regulates the

admission of children from vulnerable groups in a situation *when the number of requests exceeds the number of vacancies in a kindergarten*. The Rulebook enumerates all vulnerable groups and they have priority in enrolment compared to other children, if the kindergarten does not have the capacity to enrol all the children who have submitted applications for admission.

- *The Rulebook on the conditions and the manner of determining the price* is the bylaw which regulates the payment of preschool institution services by clients. It applies to all clients of the kindergarten, but similar to the previous bylaw, specifically regulates the payment of services for children from vulnerable groups. According to this Rulebook, care for children from vulnerable groups is charged at significantly reduced prices or is even free of charge, as is the case with children without parents or children born to refugees.

Changes generated due to the introduction of the good governance principle into the infrastructure project

By regulating the principle of non-discrimination, and its incorporation into the internal regulations of the kindergarten, children from vulnerable groups have equal chances as their peers who come from families that are average and represent the majority of the population in the municipality.

By applying the principle of non-discrimination, children from vulnerable groups go through the preschool system, which is a precondition for their integration into mainstream society from the earliest

age, without a sense of isolation and abandonment. This particularly refers to children without parental care and children who are the victims of domestic violence.

Positive discrimination in terms of reduced accommodation fee or its exemption also facilitates the position of parents of the children from vulnerable groups, and raises the quality of life for both children and parents.

Implementation of the regulations on non-discrimination, especially the regulations on payment of fees for services and the regulations governing the admission of children, indirectly contributes to the respect of other principles of good governance: clearly defined regulations are available to the public, thus contributing to the principle of transparency, and in the light of the principle of participation, the parents of children from vulnerable groups are given a chance to participate in the work of management or advisory bodies of the kindergarten.

Water Supply and Efficiency



The project dealt with the replacement of water pumps in the municipal water system. The works included the replacement of the existing three water pumps and electro-mechanical equipment in the water station. This project was crucial for everyday life in a municipality with 16,500 citizens and for the functioning of more than 500 private companies and businesses. Before the project was implemented, about 2,500 households were lacking regular water supply on a daily basis.

The principle of efficiency

This project had two main objectives:

- Better and more efficient water supply
- Relief of municipal budget that provides a big amount of money for operational costs of Water Supply Public Company.

Poor and ineffective water supply had a direct impact on the quality of life of citizens and functioning of the institutions, public and private. Moreover, many indirect effects were also present:

- Users who avoided to pay for the water supply service dissatisfied with its quality,
- Low, non-economic price of the service covered with subsidies from the municipal budget,
- The business of the water supply company was constantly in the red, which meant no investments were possible in water supply network,
- Large number of illegal water supply connections,
- Non-payment by the users from vulnerable groups.

It was clear that if the infrastructure project delivered expected results, a need would arise to regulate the new situation with a legal act, which will also contribute to solving water supply problems. The efficiency principle was recognized as the principle that must be regulated by legal acts.

When the pump replacement project was completed, the data showed that in the first month around 700,000 RSD or around 6,000 Euros were saved for the costs of electricity compared with the same month in the previous year. That trend continued in each subsequent month, which meant that the Water Supply Public Company was spending far less money on electricity, which was paid from municipal's subsidies. Representatives of the municipality and the Water Supply Public Company decided that most of the money saved through reduced subsidies continues to be designed for operation of the company, but with a different purpose: money will not be spent for operating costs, but will be allocated for capital

investments in the water supply system. A part of the saved funds will be spent to cover the cost of water supply for the citizens from vulnerable groups. Prior to project implementation, the municipality adopted *Decision on the rights of citizens in the field of social protection* that stipulated payment of utility costs/ water supply for the citizens from vulnerable groups, which served as the basis for the reallocation of funds saved by this project. This Decision was in harmony with the new municipal Decision on saved funds, which was to be adopted.

The final result was a *Decision on the use of funds saved by the replacement of the water pumps*, where Article 2 states: *Saved funds created by the replacement of pumps, will be relocated for the following purposes:*

- 80% for solving problems of water supply and improvement of water supply network
- 20% for social benefits - according to the *Decision of the Municipal Assembly on the rights of citizens in the field of social protection*.

Changes generated due to the introduction of the good governance principle into the infrastructure project

The adoption of the municipal Decision, which regulates the use of saved funds along with the implementation of infrastructure project, resulted in positive changes that led to a more efficient water supply system. The Water Supply Public Company hereby received additional funds, which would be further used for the improvement and development of the water supply network in the municipality. The Water Supply Public Company will continue to be subsidized from the municipal budget, but instead of using all the funds for current operations, they will

have 80% of approximately 70,000 Euros annually for further investments.

This Decision on the use of saved financial resources arising from the project also represents a step forward in regulating and respect for other good governance principles. The Decision adopted by the municipal authorities ensured the rule of law. Instead of arbitrary decision making, not regulated by legal framework, the municipality has legally committed itself where to use the saved money. The exact and precise definition of the reallocation of money saved by the project is in compliance with the principle of transparency. Saved funds in the amount of 20% will be diverted to social welfare which is in line with the existing municipal Decision, which already regulates the issue of covering water supply costs for the most vulnerable citizens.



Inter-municipal Centre for Agriculture and Good Governance Principles



The project dealt with improving agricultural production in three municipalities, through the process of forming a specialized entity, with focus on milk and dairy products, some of which are well known in the market. This project should solve the problems of farmers from this region, such as the lack of organized appearance in the market, lack of mechanization for organized production, as well as the problem of quality testing analysis, which is necessary for a professional appearance on domestic and foreign markets. Once it is fully operational, it should create 35 jobs and support over 200 agricultural households to increase production and profit. The project is regional in character, since the stakeholders are three local self-governments (LSGs) from the region.

The accountability, transparency and rule of law principles in infrastructure project

This large infrastructure project carries great challenges. Infrastructure and equipment provided through this project were essential for project sustainability and success. But the process of establishing the new legal entity was equally

important for the final outcomes. Through the analysis of the project, a number of questions and issues were arisen:

- Who will be responsible for the process of establishing the entity?
- Which model of legal entities defined by the laws will be used to establish this entity?
- How to arrange rights and responsibilities among stakeholders of the entity?
- Which kind of legal documents will regulate relations between stakeholders and activities of the entity?
- How to achieve a high level of professionalism, needed for the very specific job of the entity?
- How to avoid employment outside strictly predefined terms and references for the positions in the entity?
- How to help the entity in decision making processes, especially in the field of the future activities which require a high level of expertise and which kind of entity's body can do this?

Stakeholders, i.e. local self-governments found that the answers to all these questions lay in the respect of the rule of law, accountability and transparency principles. The Project Coordination Body was established in order to manage the process of creating a new entity between the local self-governments. Its members are representatives of local self-governments and donors who funded and implemented this project. The mandate of this body ends with the completion of the project activities, i.e., the new entity and its governing bodies are established. The specific tasks of this body are:

- Drafting documents that will govern the rights and obligations of the entity,

- Drafting job classification with a detailed description of required qualifications, which is the basis for an open competition for employment in the entity.

The Project Coordinating Body is the bridge between local self-governments and the project. This body reports to local self-governments on the project activities, proposes the adoption of draft documents to the local self-government assemblies, provides administrative support (documents required for registration of the entity, approvals and signatures of authorized persons in the local self-governments). The basic assumption of the organization within the new entity is such that three local self-governments have equal shares in the capital and in management rights over the entity.

A Joint Stock Company with limited liability is selected as the model of the new entity, in accordance with the Law on Companies. The governing bodies in this model are the Assembly consisting of appointed members from all three local self-governments with equal voting rights, and Director as a singular body that is responsible for the business operation of the Centre and can independently sign contracts up to one million dinars. The Director is selected through an open competition.

Each local self-government has signed a tri-lateral agreement, including:

- Deed of Incorporation
- Agreement on managing over the company.

These agreements are used as a legal basis for the establishment and, ultimately, for the registration of the entity.

Since this is a newly established entity, the project coordinating body has initiated the establishment of the Advisory Board, which would be a body of the Assembly of the entity. Its role is advisory - the Council would issue recommendations and opinions, which would help the assembly of the entity in decision making processes. The Council consists of professionals and experts in the field of the entity's activities and these are proposed by the Assembly.

After the establishment and registration of entities, the Assembly adopts the job classification and description of each job, as well as financial plans and budgets of the entity for the next three years. Following the adoption of classification and financial plans, the Assembly of the entity forwards the proposals to local self-governments for adoption. This kind of adoption of the documents is determined by the ownership structure of the city, where the local self-governments appear as the owners, i.e. decision-makers. Local self-governments provide funding for the entity's operational functioning, so they have to incorporate the line for financing the entity in their local budgets.

Changes generated due to the introduction of the good governance principle into the infrastructure project

These steps taken by the stakeholders should set preconditions for a successful start and stable future work of the entity.

Establishment of *Project Coordination Team* ensures respect for the principles of accountability and transparency. Representatives of the founder / local self-governments participate in the activities of the body and work together at the meetings to create

unique decisions and make proposals for the implementation of project activities. Each local self-government has a chance to present their proposal which is then adopted unanimously and becomes mandatory for all, if the remaining local self-governments agree. Through this body, local self-governments receive proposals of documents which are to be adopted at the local assemblies. By adopting these documents, local self-governments acquire rights and obligations relating to the newly formed entity.

Preparation of *statutory documents* which are in accordance with the Law, governing the rights and responsibilities of stakeholders / local self-governments of the entity ensures the rule of law and clearly defines accountability of local self-governments as the owner and operator of the entity. This prevents the arbitrariness in decision-making and self-will of local self-governments, which may be harmful to the operation of the entity. Statutory documents regulate the accountability of the Director of the entity, sole administrative body of the entity, and these also define its rights and responsibilities, then the relationship with the Assembly of the Entity, all of which should lead to an efficient and transparent work of governing the entity's bodies.

Clearly defining the *job positions*, their classification and public competition will provide for the selection of the best candidates and prevent employment of people with no participation in the contest and without the necessary qualifications. Since the Serbian political parties and local authorities often abuse their position for employment in the public sector, employing party members or people close to the government, a clear, transparent and pre-defined employment process will prevent this trend.

The formation of an *advisory body* will provide expert support to the entity Assembly in the decision making process. Opinions and recommendations of the advisory body will help the entity assembly to make the right decisions on managing the entity and its work/business, thus contributing to principles of efficiency and effectiveness in the work of the entity.



Public Utility Company and Accountability



EU PROGRES cooperates with 25 local self-governments and good governance reforms might be introduced in any of them. The only precondition for supporting these reforms is municipal willingness to be included in the process. After discussion within EU PROGRES and municipalities participating in the Programme, the Municipality of Ivanjica showed great interest to participate in this kind of reform. This initiative was a pilot one, different than the others undertaken during EU PROGRES implementation, as the support to good governance reforms was not related to any infrastructure project. It is also referred to as “pure good governance”.

One of the main issues when it comes to the reform of local self-government is the (lack of) accountability and transparency of the local public enterprises. Due to the fact that they do business in a non-economic, inefficient and in arbitrary manner with a tendency of constantly accumulating debts, it was repeatedly pointed out that these enterprises need restructuring, since they represent a heavy burden to the state (and at the same time local) budget. In order to tackle this challenging issue on

board, the representatives of the Municipality of Ivanjica decided to focus on the area of *relationships between public enterprises and municipal bodies in order to increase accountability, transparency and effectiveness of the public enterprises by improving the oversight of the municipal bodies*.

The political will, in the field and in practice, is one of the key factors in the *good governance reforms*, without which the process could not be fully implemented. Consequently, if we are not sure there is political will, the risks that could lead to failure are increasing. Therefore, from the very beginning of work on this initiative, EU PROGRES tried to ensure the management was ready, involved and supporting the adoption of all the measures that have been proposed during and at the end of implementation of the *good governance principles*.

The engagement in the topic demanded particular caution since it included both operative work with the employees and activities on providing a broader political consensus necessary for the implementation of the changes. Having in mind that the relationship between public enterprises and their founder, municipality, is a constant issue in Serbia, both at the local and national levels, and that implementation of good governance in Ivanjica municipality is a pilot project, this undertaking can be used as a learning tool for other local self-government units, regardless of their size and level of development.

At the very beginning of the process, it was necessary to determine the scope of the existing legal and strategic solutions in this sector. Close attention was paid to make sure that all proposed changes are in line with the national legal framework (for example – there is a legal provision that a local

self-government can establish categories of users that pay subsidized price and the amount of subsidy for each category of users; also local self-government is required to submit a list of subsidized users to the public utility company (PUC), as well as to compensate the subsidized price to the PUC - this usually doesn't happen and PUCs record losses due to municipality's unwillingness to comply with existing regulations). Therefore, the legal and strategic framework analyses provided a broader picture and showed where the gaps were, and which direction should be taken if we were to suggest and implement changes.

At the time, it was unrealistic to introduce good governance principles in all public enterprises and institutes in Ivanjica, therefore the decision was made to focus on two - *Directorate for Roads and Land Development and Public Utility Company*, due to the scope of their work and services they provide and allocation of financial resources. Another important body in this process is the Users' Council, which is supposed to be directly responsible for consideration of public enterprises' plans, programmes, reports, quality of services. At the time, the role of *Users' Council* was absolutely invisible in the hierarchy between public enterprises and other relevant municipal bodies and it was not involved in any public enterprises activity. It was obvious that the role and functions of this body had to be strengthened as much as possible.

The means and tools that were used during implementation of good governance reform included *strategic planning*. Planning provided the opportunity to be aware of all the processes that were occurring within an enterprise, and also helped in communication and coordination with the municipal bodies. Planning included various topics,

from how enterprises develop plans and reports, their content, whether they are relying on the local strategic and legal frameworks, whether there is a special municipal body that examines the plans and reports of enterprises, how this process is conducted, are the deadlines met and the like.

In parallel, a survey was done among the officials and employees of public enterprises and institutes on planning, monitoring, reporting, coordination and transparency of public enterprises' work in Ivanjica. The results showed there was no adequate and comprehensive planning, monitoring, reporting and coordination system in place. No uniform structure for the submission of plans and reports, monitoring based exclusively on financial execution and not considering the overall strategic framework were some of the weak points described in the questionnaires.

In order to improve this situation, efforts were invested into public enterprises' understanding of these processes, obeying of the existing procedures and introduction of the new ones whereas special attention was given to the non-financial part of the processes.

Enterprises established own working groups for planning made up of representatives from all departments, with the aim to strengthen their capacity in the area of strategic and operational planning, and increase their level of cooperation and coordination with local self-government bodies.

Besides work with the company employees on plan development, the management of the company and the Steering Committee were involved in each important stage of the plan development, so that they can give consent on the defined parts of the

plan (especially when it came to strategic goals, medium term goals, defined programmes and projects, financial resources).

At the end of the plan development, the first joint meeting was held, with all stakeholders present - enterprises' representatives, Users' Council director, municipal assembly president and secretary, to discuss all obstacles and problems in enterprises' work. This was the first step towards improved mutual cooperation.

For further implementation of strategic planning within the enterprise, it was essential to *define jobs /delegate persons* who are supposed to deal with processes and tasks. In order to ensure institutional memory and sustainability of planning, changes in the job classifications within enterprises were proposed. The aim of these changes was to separate and define responsibility lines. The proposed changes defined who was responsible for initiation of the planning process, coordination with other enterprises, up until the communication with responsible persons within the municipality. Mainly, these important managerial tasks were directed to the heads of departments and their obligation was to further delegate responsibilities to other employees.

The above mentioned proposed changes mostly affect the work of enterprises. Since there are two main parties in this process (enterprises and municipal bodies), regulating the internal process and relationship within the enterprise is not enough for the overall success of the good governance intervention. It is necessary to translate this newly established, improved process into the local regulations.

Therefore, amendments were adopted to the articles of the Ivanjica Statute and the Rules of Procedure of the Ivanjica Municipal Assembly, trying to further strengthen the role and functions of the Assembly and other municipal bodies and to establish improved mechanisms for their cooperation with public enterprises. In this specific case, the changes were primarily related to previously mentioned Public Services Users' Council that should have a "filter role" in relations between the Assembly and public enterprises.

The Users' Council is established by municipal Assembly and is composed of seven members, upon the proposal of working bodies of the Assembly, councillors and citizens' groups. According to the municipal statute, Users' Council considers plans, programmes and reports of public enterprises. It should especially monitor current quality and quantity level of public services, utilities and rates or fees for services. At the time, the Users' Council was not performing its role as stated in the Municipal statute and the Rules of Procedure and didn't have any power in the municipality decision making process, while its opinion was not taken into account by high municipal bodies.

The newly proposed changes are mainly reflected in the below listed tasks: every document submitted by the public enterprises has to pass through the Users' Council, which should give consent on any document produced by the public enterprise. The Users' Council is giving its joint consent/recommendation together with the municipal Council for budget and Council for Urban Planning and Communal Services on submitted plans, programmes, reports and/or any other document. Opinion/recommendation of these

three bodies on the public enterprises' documents has to be submitted to the Municipal Council for consideration and furthered to the municipal Assembly for approval. Also, public enterprises are now obliged to submit their quarterly and semi-annual report to the Users' Council. Besides this, the Users' Council primary role is to serve as a coordination body between other relevant municipal bodies and public enterprises and to help public enterprises in their strategic thinking.

The *effects* of this part of the programme and changes made in local policies that occurred during work on this project are far more comprehensive than the results achieved through implementation of separate activities, bearing in mind that it sometimes takes several years or more before it is possible to see and measure the effects of occurred changes.

Within this pilot project, the employees of the Public Utility Company and the Directorate for Construction and Land Development of the Municipality of Ivanjica managed to develop their mid-term development plans in a short period of time, with the facilitation of the Programme. This is particularly significant given that it is expected that the Programme Budgeting Methodology (responsibility of the Ministry of Finance) is to be adopted in the near future. This Methodology will be linked to strategic planning and budgeting at the local level, i.e. it will indirectly affect public enterprises as well.

Implementation of good governance principles in the activities of public enterprises and municipal bodies based on the monitoring of these enterprises, both through work in practice with public enterprises on strategic planning and new trends in public finance management (programme based budgeting), and through proposed changes in



regulations through amendment to the articles of the Statute, Rules of Procedure of the Municipal Assembly, the Rules on Job Classification for Employees in Public Enterprises founded by Ivanjica municipality (Public Utility Company and the Directorate for Construction and Land Development of the Municipality of Ivanjica), will certainly contribute to better mutual coordination and communication and better oversight of the municipal bodies. Proposed amendments to the regulations were the final step in this pilot project, to primarily ensure institutional sustainability of the results achieved and further implementation of best practices. Regulatory changes are related primarily to the establishment of mechanisms that will contribute to a higher level of co-ordination and co-operation in the work of public utilities and municipal bodies, as well as strengthening of the role of certain municipal bodies with the purpose of more effective and efficient operation of the enterprise, the cooperation and supervision of the operations of the enterprise.

Now the system that is proposed relies on close correlation between different levels in the wider municipal hierarchy. The "down level" is comprised of employees within public enterprises that are supposed to implement everyday activities including planning, monitoring, reporting and coordination activities; another level consists of the head of the departments within enterprises responsible for overall functioning of these systems and directly responsible to the public enterprises' director (and steering committee). Since the overall functioning of the enterprise is primarily the responsibility of the director, he/she is directly connected to the Users' Council that helps and guides the enterprise according to its new role and functions. Furthermore in the hierarchy, Users' Council is responsible for the

harmonization of public enterprises', submits together with Council for Urban Planning and Utility Services and Council for Budget and Finance. Their common stand goes directly to the municipal high decision making bodies - municipal council and municipal assembly. Completion of this circle is additionally assured by initiation of joint meetings of all mentioned bodies and structures within municipality.

Most importantly, all stakeholders in the process have agreed that the newly proposed system and proposed amendments to the regulations are both necessary and desirable.

Previous experience in capacity building of different bodies suggests that in addition to the support from the political leadership, potential changes should be accompanied by a permanent and stable facilitation process with provided mentoring, up to the point when capacities are raised to the desired level.



Part III The Importance of the Process

Through good governance principles incorporated throughout the Programme as a cross-cutting topic, EU PROGRES provides active support to municipalities in transferring the conceptual level into practice in a useful and tangible manner for the benefit of all. This is specifically the case with smaller and inter-municipal infrastructure projects where such approach increases the sustainability of results and feeling of ownership from the side of municipalities. Provision of support to local self-governments for better resource management and to institutions under their control is aimed at reforming local self-governments through the adoption of new regulations and by encouraging the citizens to require better governance.

Prerequisites for good governance

The governance reform process in Serbia is a great challenge, not only due to its complexity, but also due to the time framework it is applied in, underdevelopment of capacities, and the lack of funds and great expectations of citizens. For many years, local self-governments in Serbia have been going through comprehensive reforms, both at the level of the implementation of new laws and at the level of introducing democratic principles and decentralisation in institutions. Decision makers are facing very ambitious tasks related to various aspects of society and state's functioning, especially reforms at local level implemented in a very slow process, taking longer than originally expected. Frequent changes of local governments negatively influence the continuity of work, service provision and decision making processes of importance for the citizens' quality of life. To this end, further development of "sustainable democracy" which requires broad public participation in decision making processes and capacity building is a very important priority and prerequisite for the successful process of further reforms.

Political decisions are surely the most relevant factor for the implementation of changes, and they can influence the increase

of working efficiency to a great extent, as well as the focus of current reform planning processes and implementation of policies. On the other hand, existence of political will in the field and in practice is one additional key factor for reforms and establishment of good governance in practice.

It is important to understand that reforms require a long time to implement and that their results quite commonly are not measurable in short - or medium term periods. This means that the process itself is equally important as its outcome. Local governments should be capacitated for efficient, transparent and accountable functioning and provision of services to citizens. The importance of the political context in the process of administrative modernisation greatly influences the definition of ways in which policy making process functions and it also influences interactions between different players.

This is why it is of great importance to strengthen political determination and orientation towards the introduction of transparent, accountable and modern administration and establishment of ownership over the process.

Project organisation in reform process

Governance projects usually require demanding and challenging reforms in a rather complex context. Measurement of success of such projects is often not possible. It is therefore of great importance to justify the motivation for reforms from the very beginning. Successful handling of a project moreover requires good project planning. It makes sense to reach a consensus, both on the reform goals and on the project planning from the very beginning and to set out the following aspects clearly in a project agreement. Such a project agreement should contain the following elements:

Who are the project partners?

- ↖ Municipalities
- ↖ Central state
- ↖ Donors
- ↖ Others?

Statement on the initial situation

- ↖ Why launch the project (motivation), i.e. where the shoe pinches?
- ↖ What are the chances, but also what are the risks?

What is the given framework of the project?

- ↖ Financial framework
- ↖ Legal framework
- ↖ Political framework

What are the objectives of the project

- ↖ With regard to the process... For example:
 - The project is conducted in a transparent manner with clear planning
 - Governance principles are followed
 - Municipal ownership is ensured
 - Political decision-makers have the leading role
 - All relevant actors are involved in a participatory manner in the process
- ↖ ...but also with regard to the content of the project:
 - What concrete changes are envisaged with the project (in what way shall the project contribute to solve problems or to address challenges²)

² For example, in an inter-municipal project aiming at building a common landfill the project goals could be defined as follows: "(1) The steering of the inter-municipal company (with regard to construction, but also with regard to operation is clarified); (2) The roles of the owners (municipalities) and of the company are clarified (avoid duplications and gaps); (3) An easy but effective controlling process is defined; (4) The infrastructure can be realised (built); (5) The infrastructure can be operated in an (economically) efficient manner; (6) Sustainability (maintenance, replacement) is ensured".

How will the project be organised

- ☛ Legitimation of the project results from the project agreement signed by all *project partners - PP*
- ☛ Who bears the overall project responsibility? (who is steering the project i.e. *Project Steering Committee - PSC*; here, typically, the political level is represented, for example, in an inter-municipal project: all Mayors of the involved municipalities)
- ☛ Who is coordinating the project (*project coordination - PC*, for example, a body formed out of those who can contribute with their knowledge to a successful project, i.e. representatives of municipalities, central state, public utility company, donors)
- ☛ Who is responsible for *project management - PM* (this should be only one person)
- ☛ Additionally, a *sounding board* can be formed, in which important actors from the society can be represented, i.e. representatives of political parties, civil society, minorities, society groups that are specifically affected by the project. The sounding board has no decision-making powers in the project but is supposed to give inputs from those affected by the project in as early stage as possible. It can also be helpful for building trust between those developing the project and those affected by the project. In many smaller projects such a board is not necessary.
- ☛ EU PROGRES, with the support of the SDC, offered its support to municipalities willing to enter a governance reform project.

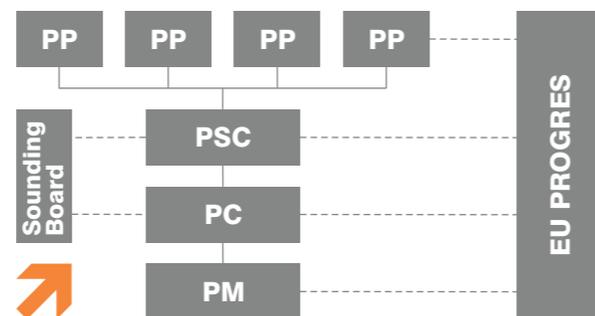


Figure: Sample Project Organisation for Municipal Governance Reform Projects

How is the project planned (in terms of the procedural aspects)

Experience has shown that it makes sense to plan governance reform projects with the following stages:

- ☛ Stage I: Project organisation, project agreement
- ☛ Stage II: Conceptual stage, i.e. discussion of models, first assessments, participation /consultation, decisions on conceptual level
- ☛ Stage III: Detailed concept
- ☛ Stage IV: Implementation (i.e. drafting legal documents, take binding decisions)

Finally, a **project agreement** should also contain provisions regulating the following aspects:

- ☛ How to proceed in the case of conflicts
- ☛ Communication
 - Internal
 - External
- ☛ Project controlling

Importance of political context for the reform process and project organisation

The main prerequisite for successful implementation of this process also implied political will for the introduction of transparent, accountable and efficient governance. *Strong political will and commitment* of local governments imply orientation towards changes in legal regulations, but also towards regular implementation and inclusion of proper mechanisms for substantial improvement of citizens' life standard and quality. Transparency and accountability in work, investments in procedures development, introduction of professionalization of services, education of human resources and creation of partnerships are the main factors which determine the degree of political will focused on reform processes. Whether the standards and principles of good governance will be introduced into the area of public services greatly depends on the commitment and readiness of political structures to provide full support to reform processes.

Due to *frequent changes in local governments*, the decision making process, as well as adoption of legal regulations, were slowed down or delayed. In addition, certain political decisions, which for example pertained to subsidised costs for socially vulnerable populations for payment of water supply costs, implied adoption at a higher level. Such types of decisions require assembly discussions, political harmonisation and consensus in the governing structure.

Political instability takes away and aggravates continuation of the initiated processes, steadiness is lost, but also the importance of previous regulations. In other words, decisions made by the former local government quite commonly can be changed and made invalid by the new government. In that way, all efforts made towards the reform of regulations become irrelevant, and provision of services to citizens becomes inefficient, non-transparent and inappropriate. In parallel with that, changes that occur at the central level have great effects on the creation of political environment at the local level. Changes of coalition partners, concentrated politicization, non-transparent selection of directors for public companies and similar replicas applied at local level, are all in favour of the halt of reform processes.

Harmonisation of project organisation and planning with changes that have happened during this process at the political level, has been a great challenge for the achievement of planned goals. The process of introduction of local self-governments into linking good governance principles with small infrastructure projects implied a range of consultations, harmonisations, checks of the submitted drafts and proposed changes. In addition to good governance principles, there was a tendency that all participants in the process recognise the importance of the improvement of the

administrative system, as well as obligations they have towards their citizens. Taking into account the aforementioned political relations affecting the slow implementation of reforms, the process was focused on changes in understanding the position of the public sector in the society, as well as on the notion that the state itself and local governments are actually services for citizens, not the position of power and government. The process of government decentralisation, i.e. delegation of authorities from the central towards lower levels, which at the same time has the goal to make public services closer to citizens' is also very important for the implementation of the good governance principles.

With regard to the above stated, planning but also control over the process implementation were focused on establishing a balance between two mutually dependant but commonly interfaced elements, that is, the relation of political decisions versus administrative capacities. Despite the obvious obstacles and limited financial and human resources, local self-governments have shown interest for introduction of reform processes into the area of regulations, but also for the improvement of their services provided to citizens.

Through the establishment of professional and political accountability, confidence of citizens towards institutions was increased, along with support given to further development of social goals.



Part IV Conclusions

Once again the sentence that was quoted at the very beginning of this manual: “Good governance is perhaps the single most important factor in eradicating poverty and promoting development”. But:

Good governance is not something that is either given or not. And it is definitely not something that can be achieved within a tight deadline. It is rather an ideal that ought to be pursued, and remains to be a continuous challenge.

Also so-called “established democracies” find themselves incessantly confronted with challenges of governance.

Good governance reforms are therefore best conceived as an *ongoing process* with the aim to enable the state to do a good job for its citizens. It is important that this process is directed towards reaching a *common vision*. The principles of good governance are nothing else than a trial to formulate such a vision. Even if the context is difficult and the framework conditions sometimes do not allow for big changes, small steps can always be undertaken. The good governance projects that have been conducted in 14 municipalities on South and South West Serbia are examples for such small steps.

Although these projects were to some extent initialised by EU PROGRES, we would like to point to the importance that such processes remain in the complete ownership of municipalities, and not of the donors or external experts. In the mid-term period municipalities should be enabled to conduct GG reforms with their own know-how.

We would like to thank everybody who contributed to one of the GG projects for their engagement and their contribution to reach better governance.

The list of participating municipalities and good governance principles introduced into the infrastructure projects is presented in Annex I.

ANNEX I

Introducing Good Governance Concept and Principles to the Municipalities in South and South West Serbia

Linking Good Governance Principles with Small Infrastructure Projects

Municipality	Project Title	GG principles addressed
Bojnik	Strengthening the institutional and infrastructure capacity of the market Bojnik in order to develop agricultural production	Accountability, Transparency
Bosilegrad	Improvement of the communal services in the Municipality of Bosilegrad	Transparency
Ivanjica	Equipping and finishing works on kindergarten in local community Bukovica	Accountability, Transparency, Participation, Non-discrimination
Lebane	Reconstruction and expansion of water treatment plant in Lebane – Building of filter fields	Accountability, Efficiency
Leskovac	Construction of a branch office of Public School „Radoje Domanović” in local community Kumarevo	Transparency
Medveđa	Improvement of the wood processing industry in Municipality of Medvedja through restoration of the Termovent Factory	Accountability, Transparency
Preševo	Replacement of exterior joinery at Elementary School "Ibrahim Kelmendi”	Transparency, Non-discrimination, Efficiency
Prijepolje	Green economy - the way to energy independence	Accountability, Transparency
Raška	Construction of Child-care Centre in the Municipality of Raška	Transparency, Participation, Non-discrimination

Municipality	Project Title	GG principles addressed
Sjenica	Procurement of the equipment for the replacement of pumping system in the water station	Accountability, Transparency, Non-discrimination, Efficiency
Surdulica	Construction of an indoor sports facility in Surdulica	Accountability, Transparency, Non-discrimination, Efficiency
Trgovište	Upgrading of water supply system in Novo Selo	Accountability, Efficiency
Tutin	Building of additional facilities adjacent to the existing kindergarten	Transparency, Participation, Non-discrimination
Vladičin Han	Energy efficiency – way to poverty reduction and local economic development of the South Serbia	Accountability, Transparency, Non-discrimination, Efficiency

Linking Good Governance Principles with a Large Infrastructure Projects

Municipality	Project Title	GG principles addressed
Sjenica, Tutin, Novi Pazar	Regional centre for development of agriculture (RCDA)	Accountability, Transparency
Pčinja District - 7 municipalities	Improvement of fruit production in Pčinja District	Accountability, Transparency,
Nova Varoš, Priboj, Prijepolje, Sjenica	Regional Landfill Banjica	Accountability, Efficiency
Pčinja District - 7 municipalities	METERIS Regional Landfill	Participation
Leskovac	Green Zone	Accountability, Transparency

Introducing Pure Good Governance Principles

Municipality	Project Title	GG principles addressed
Ivanjica	Improvement of coordination and cooperation between municipal bodies and public enterprises	Accountability, Transparency, Participation, Efficiency



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