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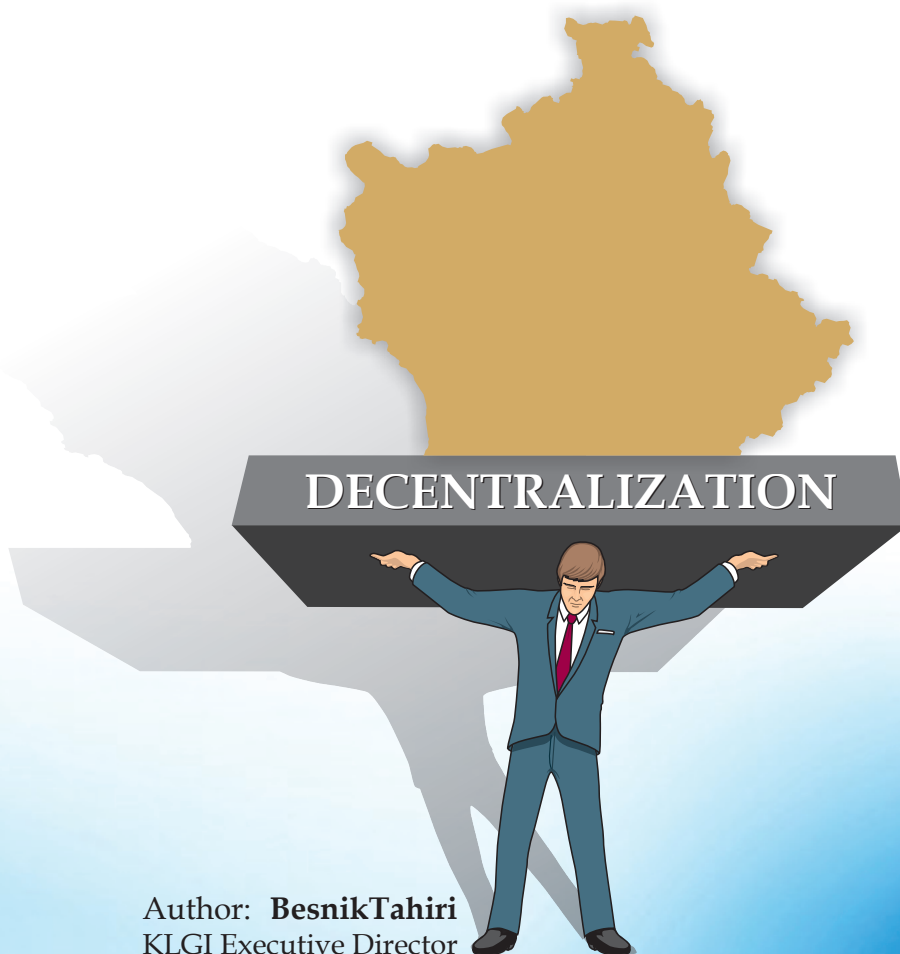
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DECENTRALIZATION

A HEAVY WEIGHT TO BE CARRIED OUT

Struggling to Move from Consolidation of Local Democracy to Better Service Delivery

The case of Kosovo



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A study on the prospects and challenges of Decentralisation
in the Republic of Kosovo three years after the Constitution

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List of Abbreviations

AFP	Agency for Forest Protection
AKM	Association of Kosovo Municipalities
APK	Agency of Privatization in Kosovo
BDMS	Budget Data Management System
CoE	Council of Europe
DFID	Department for International Development
EC	European Commission
ICG –	International Crisis Group
ICO	International Civilian Office
IPA	Instrument for Partnership Assistance funds
IWGD	Inter-ministerial Group on Decentralisation
KLGI	Kosovo Local Government Institute
KPA	Kosovo Property Agency
KVM	Kosovo Verification Mission
LLF	Law on Local Finances
LLSG	Law on Self Local Government
LMB	Law on Municipal Boundaries
LOGOS	Swiss-Kosovo Local Governance and Decentralisation Support
MEF	Ministry of Economy and Finance
MLGA	Ministry of Local Government Administration
MLSW	Ministry of Labour and Social Welfare
MoU	Memorandum of Understanding
MPT	Municipal Preparatory Team
NGO	Non-Governmental Organisation
OSCE	Organisation for Security and Cooperation in Europe
POE	Publicly Owned Enterprises
SDC Swiss	Development Cooperation
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank

Methodology

This study is the result of quantitative and qualitative research carried out by the Kosovo Local Government Institute (KLG I). Data has been collected from primary and secondary sources gathered from various field visits, as well as workshops and discussions with municipal representatives and central government civil servants including the MLGA. Consultations with civil society organisations, expert focus groups and representatives of the international community also served as an important input for this report. In addition, during the last four months (February – May 2011) KLG I conducted an in-depth review of all relevant reports published recently by government agencies – e.g., the progress reports by MLGA –as well as the international community. It should be noted that the current study is a continuation of the work conducted last year when KLG I published a paper entitled “Decentralization: Clear on Paper, Blurred in Practices,” which was followed with a conference on the same topic.

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Lastly, I would like to express my appreciation to all the Mayors, MLGA officials, officers of international donor organisations and NGOs who were willing to contribute to this study through their interviews and discussions with us.

About the Kosovo Local Government Institute (KLG I)

Kosovo Local Government Institute (KLG I) is a local think-tank dedicated to analysis and studies that contribute to effective local government practices in Republic of Kosovo. The KLG I is devoted to support local governance reform process and be instrumental to functional decentralization. Main activities of the KLG I in the past three years were in relations to local governance and development, research, capacity building and training programs for local governance structures.

Executive Summary

Most of the countries in the Western Balkans have been exploring decentralization reforms as a tool to settle burning national issues arising from inter-ethnic conflict and the need to reduce the excesses of centralization left over from previous socialist regimes. On the other hand, decentralization can be a controversial process. During implementation, central governments often hesitate to transfer power down with the argument that local governments may not be able to handle their new responsibilities whereas, municipalities demand more responsibilities in order to meet the service delivery demands of their citizens. The evidence of decentralization in Kosovo three years after the Constitution shows that this public reform is a long term process and not an intervention that can be fully achieved with a time-limit set by national decision makers and external initiators. To date, decentralization has produced positive effects; however, the success of decentralization will depend now primarily on two key factors: the support of central government and the proper responsiveness of the local governments and citizenry. Moreover, the international donor organizations that pushed this process so hard in the beginning still have a role to play, especially with resources and concrete interventions.

There is another side of decentralization, however, that is less political and more practical. The goals of decentralization go beyond broad principles of self-government and the political representation of local communities. They also aim at bringing public services closer to citizens, ensuring these are delivered efficiently and responsively, to fit to the specific preferences of the local community and advance the life and welfare of the people living there. This is exactly where the current challenges of decentralization in Kosovo lie; the political goals of decentralization cannot be adequately met without adequate attention to effective local service delivery. In this light, this study strives to show and analyze the decentralization process in Kosovo, its successes and challenges, focusing on two major areas: the establishment of new municipalities and the effectiveness of local service delivery-- three years after initiation of the decentralization process.

The main advancement of decentralization this last year has been in the consolidation of the newly created municipalities. These municipalities have made concrete advances in consolidating their administrations and assuming most of the responsibilities assigned to them with their new status. By the same token, though, illegal parallel institutions still function in these localities, presenting a challenge to the full autonomy of the legitimate local governments there. In the area of education, in particular, since the teachers are paid by Belgrade and are under the orders of Belgrade, Kosovo authorities cannot apply the Kosovo curriculum in these municipalities nor can there be any cooperation between local schools and Kosovo authorities in charge of education in the rest of the country. In one of the intended municipalities, North Mitrovica, difficulties are more widespread. Implantation of provisions as designed in the Ahtisaari Settlement Plan, and translated into the Law on Local Self Government (LLSG), have not unfolded as planned. There were some concrete attempts in 2009 by the MLGA to push forward the establishment of North Mitrovica. However, the elections for this municipality have been postponed on two occasions because of lack of political will, interference from illegal structures of Serbia, and a lack of interest and assistance by the international community. This is reinforced by the fact that the Government's *Strategy for the Integration of the North*, has recently been abandoned due to lack of funding in the 2011 Budget of Kosovo.

As noted above, a second, less political side of decentralization has to do with the provision of good services in a way that would be more responsive to local residents than at a time when they were provided directly by the central government. This is the real decentralization, where benefits are seen and felt directly by the citizenry - the type of decentralization that will, in the end, determine whether this process was successful or just a political compromise for independence. Service delivery, in particular areas, has shown some progress but still remains weak. Municipal finances, while increasing, continue to significantly restrict improvements in the delivery of different services. The transfer of funds to municipalities, around 25% of the total budget of Kosovo (only 7.7% in block grants) is not enough to maintain the current quality of services -- let alone make these services more qualitative and accessible. Moreover, limited staff capacity to handle services professionally, coupled with ineffective management of assets, and clashes among the legislations of different service sectors – all are shown to be additional burdens for municipalities in delivering services. However, it is also shown that the municipalities are not relying sufficiently on proven mechanisms to make services more efficient, such as inter-municipal cooperation agreements, and the generation of greater own source revenues to maintain and improve local services.

Municipal management of the new public enterprises, responsible for public utilities, has not gone smoothly – an issue discussed in greater detail in the text that follows. Furthermore, in the case of the nation's capital, the central government has been an obstacle for advancing a decentralized system of governance as envisioned by the Constitution, insofar as the Law on Prishtina and the funding that comes with it have been held back, resulting in significant restrictions in the delivery of services.

There is also confusion regarding local competences, particularly where the authority of the central government ends and the authority of the local government begins. In some cases, central government agencies have defined norms that restrict the ability of municipalities to effectively carry out their tasks. As the European Commission Progress report 2010 pointed out “contrasting interpretation of legislation on self-government often blocks cooperation between central and local authorities as to the authority of the matter.” Last year presented various disputes between the municipalities and central government mechanisms over their respective authorities over public land and public enterprises, a point that will be elaborated further down. In addition to the latter, there are still some competences that have not been transferred fully to the local governments, particularly extended and delegated competences, such as forestry, defined by the framework law. It is essential, that these problems be addressed parallel to the territorial, more political, side of decentralization.

Three years into implementation of the decentralization process, it has become clear that that the fundamental laws of local governments will need to be amended in order to adequately serve municipalities. Evidence from this study shows that the most basic of these, the Law on Local Self-government, is being challenged heavily by sectorial laws. Whereas last year our study showed that decentralization was clear on paper but blurred in practice, our study this year points to the fact that legislation even on paper is becoming more unclear and, in practice, is leading to confusion and breaches of the Law on Local Self-Government.

While the initial wave of decentralization has been a top-down initiative, resulting from the international negotiations and the Ahtisaari package, demands for decentralization are now starting to come from the bottom up, with six (6) new locations submitting requests to gain the status of municipality¹. These locations have seen the benefits that decentralization can bring in terms of resources; however, they also want services to be closer to them. This process should be supported in the future, but with clear criteria that are not politically motivated. Service delivery must be the basis for the establishment of future municipalities as this is core spirit of decentralization, more so than ethnic based municipalities, which should be avoided as they contribute to more to the division rather than the integration of societies.

¹Koha Ditore Daily Newspaper. "Want to be Municipalities." 14 April, 2011. Pg. 13.

Decentralization in Newly Created Municipalities

Introduction

The decentralization process has delivered results by way of the most recently created municipalities, in compliance with the Ahtisaari Settlement agreed upon during the Vienna negotiations; however, this achievement is incomplete insofar as the Municipality of North Mitrovica still needs to be created as a legitimate municipality under the supervision of Kosovo authorities. This remains a serious problematic area, both in terms of the crime and smuggling that has resulted in the locality, as well as the absence of a local government that works for the local population. Furthermore, divisions among ethnic lines still remain strong.

While the other newly created municipalities have been consolidated and are assuming the competences guaranteed by the Constitution, some of old challenges persist. Illegal parallel institutions still function, thus presenting a challenge to the full autonomy of the legitimate local governments there. In the area of local education, moreover, Kosovo authorities are unable to apply the national Kosovo curriculum, nor can there be any cooperation between the schools of Gracanica and the authorities of Kosovo since the teachers are paid by Belgrade and are under the orders of Belgrade.

Service delivery in other areas is still weak – in part because local government finances, while having improved somewhat, continue too little to allow for much needed improvements in local services. Moreover, as noted above, municipal management of basic services through the new public enterprises has not gone smoothly; some municipalities have been unable or unwilling to appoint board members in the regional POEs. Finally, also noted above, the extended competences announced in the framework law have not been obtained yet.

	Surface (km ²)	Inhabitants	% Serbian	Voter Turnout (2009)	Voter Turnout (2010)
Gracanica	131.25	18,642	85, 7%	23%	45.09%
Novobrdó	203.96	11,382	60%	25.5%	50.32%
Ranillug	74,28	4,955	95%	12.4%	34.31%
Klllokot	23.39	4,542	72%	25.2%	46.79%
Partes ²	28, 66	5,217		55, 94%	51.62%
North Mitrovica					

² Municipal elections in the Municipality of Partesh were held on 20th of June 2010.

Even with all the support and monitoring of the Ministry of Local Government Administration, reinforced by international mechanisms, some established municipalities have not been able to avoid taking decisions that, in one way or another, fall in contradiction with the framework law – a sign that the administrations of these municipalities need further support and capacity building efforts. Central institutions, specifically the Ministry of Local Government Administration, must be more active in informing new municipalities of their competences – and responsibilities - especially when competences are distributed among different authorities.

Progress in the Municipality of Gracanica

The most advanced newly created municipality, the Municipality of Gracanica, has progressed in building its administrative and financial capacities; however, some older problems, such as competition by parallel Serbian government-funded institutions, have remained. Moreover, new challenges have been created with the increase in the number of competences and responsibilities in the municipality. The education system and the health care system remain outside the full control of either the municipality or the central Kosovo institutions. Schools are operated by employees and teachers paid by the Serbian government and reject cooperation with the legitimate authorities, using curriculums not approved by the Kosovo government. The situation in health care remains similar. To this day the municipality has not been able to exercise its guaranteed competence to participate in the management of secondary health care in the municipality. This is partly due to lack of attempts by the central government and partly due to challenges that the situation on the ground presents.

The Mayor of the municipality of Gracanica has been insistent in pointing out the importance that Kosovo Serbs participate as a third party in the Kosovo – Serbia dialogue, as now one knows well how the real situation on the field is. He has also called upon Belgrade to talk to the Serbian population of the newly established municipalities in Kosovo, to convince them to be part of the whole process³.

The Municipality of Gracanica is the biggest and the most successful municipality established by the decentralization process. It seems that it will soon become the biggest urban centre for Kosovo Serbs, especially those south of Ibar River. Gracanica is also the main municipality in which local businesses – especially the construction sector - have shown interest in expanding their local investments. This has allowed Gracanica to generate greater own-source revenues and thus initiate and implement projects that benefit its citizens.

Established in August 2009, the Municipality's administration is currently divided into seven (7) executive directorates. It has drafted and approved the Municipal Strategy 2010-2012 that defines the priorities that the municipality will be most focused on in the short and medium term. Only recently (July 2010) - based on a Memorandum of Understanding of the Ministry of Local Government Administration - did Gracanica receive all necessary documents from the "mother municipalities" of Prishtina, Fushë Kosovë and Lipjan, including transfer of records, cadastral zones, property taxes, land utilization, urban and spatial planning documents and civil registry⁴. Supported by the UNDP, MLGA also handed over the necessary equipment to this new municipality for the administration of its cadastres.

However the emblem of Gracanica that includes many elements representing its old civilization in reality represents only one ethnic community – Serbs. While many people have drawn a parallel between the cases of Gracanica's emblem with that of Prizren municipality, since both these municipalities are multiethnic, there is no case taken for Gracanica to the Constitutional Court as was the case of Prizren. The only Municipal Assembly member in Gracanica coming from the Albanian community said that he voted against this emblem as this is not in line with the representation in the town.

³Municipality of Gracanica Web-page. <http://kk.rks-gov.net/gracanice/News/Kosovski-srbi-treba-da-budu-treca-strana-u-pregovo.aspx>

⁴Blaku, S. "Tri komuna kompletohen me dokumentacion" Kosova Sot, August 1st, 2010.

Gracanica has received 766,478 € of capital investment, just from the MLGA, a majority of which has been invested in infrastructure projects such as road construction, sewage, drinking water supplies, construction of sport halls, lighting, re-construction of religious buildings etc. The municipality now has a new building that hosts the municipal administration, funded by the European Liaison Office in Kosovo jointly with the MLGA.

Progress in the Municipality of Ranillug

Ranillug, another municipality presented as a success story of decentralization, is facing challenges in its road to consolidation. Despite the fact that Ranillug has started to see relatively quickly the benefits of territorial decentralization, and the investments that come with it, it is a small municipality still in the process of consolidation facing many difficulties managing all its new competences and coordinating support from the central government and international organizations. Lack of basic infrastructure, along with reasonably high unemployment, is the main problems that this municipality is facing. To get ahead of these problems as well as all the services that are expected of the municipality with the framework legislation, a stronger injection of revenue is required.

While funds have increased, the local government stresses that sufficient finances are a challenge. As in other municipalities, the size of staff is considered too small to handle all the responsibilities of a municipal administration and local governance. They consider that most of their funds go to cover salaries and expenditures and very little is left for investments by the municipality. Own source revenues of the Municipality, as for any small and new municipality, are small -- €30,582 in 2010, of which €23,004 Euros were provided by the Department of Finances and Budget, €1,680 from the Department of Administration and €5,856 from the Department of Urbanism, Cadastre and Geodesy⁵. The capital investments of the central government of Kosovo in the Municipality of Ranillug for 2010 were €240,151, while for 2011 the amount foreseen for capital investments in this municipality is only €92,791-- for works on the local river bed and the water supply system.

Around two million Euros were invested during 2010 in this municipality, focused mainly on much needed infrastructure, such as roads, sewage and water supply. The municipality has also committed to providing free transport for Albanian pupils residing in the Municipality.⁶ It is evident that the municipality has concerns over the specific assignment of competences for land use and urban development, as it has entered into a dispute with central authorities in this area. On November 2010 the Municipality donated land and 86 thousand Euros to build an orthodox church. However, the Privatization Agency of Kosovo (PAK) reacted against this decision claiming that the land is part of the publicly owned enterprise "Ekonomia Pyjore." The PAK filed a complaint in the District Court of Kamenica, which in turn announced a decision to stop building the new church. MLGA and the ICO have urged the Municipality to respect the decision.⁷

⁵Municipality of Ranillug. 9th Session of the Municipal Assembly of Ranillug. <http://kk.rks-gov.net/ranillug/News/Eshte-mbajtur-seanca-e-nente-e-rregullte-e-Kuvendi.aspx>

⁶Sabedini, Musa. 30 December 2010. Newspaper Lajm. Përfitues edhe fshtatrat shqiptare. P.29

⁷Koha Ditore. 27 November 2010. Kisha Ortodokse Serbe në Ranillug. P. 14.

In less than two years since its formation, the municipality has largely completed the consolidation of the administration. During 2010 the municipality adopted four (4) regulations and 36 decisions were taken.⁸ The Municipality has established six (6) directorates and with the assistance of UNDP has also approved its strategy for 2010-2012. Also the office for civil registry was opened by the Ministry of Internal Affairs. The municipality has started to issue birth, death, and marriage certificates as well as other relevant documents under the jurisdiction of the municipality. In addition, the Cadastral Office was also opened, as was the Community Office which exclusively deals with minority issues, in this case for the Albanian Community.⁹

The Ministry of Local Government Administration (MLGA) has measured the performance of Ranillug in eight fields. Based on its data, the municipality has achieved progress in all fields, albeit to varying degrees. In particular, there has been measurable progress in the area of administrative services, as well as in road infrastructure – in the case of the latter, a 10% improvement. There has also been an increase of about 1% in the number of applications for construction permits. However, as regards the review of these permit applications within the legal deadline, Ranillug has so far been struggling to make improvements - as has been the case with most municipalities.

Legitimacy of the new municipality by the community is still a challenge - despite a recent increase in public support. Parallel institutions are still present and some teachers and healthcare workers continue to get paid healthy wages from the Republic of Serbia with reportedly good services for education and health¹⁰. While in the municipal elections of 2009 the turnout in elections was a paltry 12.4 %, in the parliamentary elections of 2010 the turnout increased to 34.12%, which indicates that citizens of Ranillug have started to develop trust in the Kosovo institutions. But 34% for a small municipality such as Ranillug is still a low turn-out, underscoring the importance of good services and improvements of economic life in the municipality as determinants for increasing the legitimacy of the municipality.

The municipality is still not exercising its full responsibility in the provision of public utilities, as it is not participating in the management of the regional public enterprises that serve the municipality. Also, alarming, there has been an increase of only 4% in the municipal population connected to the water-supply system—showing considerably slower progress than other municipalities.¹¹

Progress in the Municipality of Klllokot

The decentralization process in Klllokot has been the most challenging in the country, mainly because of resistance from the population of Viti towards the establishment of the new municipality. However the situation has begun to change and the Municipal Assembly and the Mayor of Viti is beginning to help Klllokot handle its new competencies by sharing their experience on the functioning of the municipality.

⁸Ministry of Local Government Administration. 2011. Progress report on establishment and development of new municipalities. P. 12

⁹Koha Net. 05 January 2011. Komuna e Ranillugut shënoi një vjetorin e themelimit.
<http://www.koha.net/index.php?cid=1,8,45587>

¹⁰ ICG Report. Serb Integration in Kosovo: Taking the Plunge, Europe Report N°200, 12 May 2009.

¹¹Ministry of Local Government Administration. 2011. Progress report on establishment and development of new municipalities. P. 12

On January 2010, Klllokot established its own Municipal Assembly and Local Government, with 5 municipal directorates¹².

The main problems that are faced by the communities are the high unemployment rate, especially among young people, and the lack of nearby health care facilities. However the municipality is receiving many funds from central authorities in Kosovo as well as from the international community. By 2011, 90% of the infrastructure in villages of Klllokot has been completed, according to the Mayor of Klllokot. During 2010, Klllokot has received funds of around 1 million Euros, most of which has been invested in infrastructure projects from the Kosovo Government, while MLGA has invested another 230.000 Euro¹³. In general, Klllokot has been one of the municipalities that has largest amount of funds during 2010 -- around 3 million Euros in total¹⁴. Only during 2010, in Klllokot around 100 people were employed while in general around 700 are employed in three factories that are functional in Klllokot¹⁵. The municipality of Klllokot has a great potential for tourism especially physical rehabilitation, being home to the best spa in the region; accordingly, the municipality needs to put greater efforts into promoting tourism in its region, in collaboration with the central government and neighbouring municipalities.

The municipal Assembly of Klllokot approved an initiative by the Mayor Sasha Mirkovic to charge a tourism tax to all visitors coming to visit the spas in this municipality. This tax of 30 cents per months for patients will serve to help to improve touristic infrastructure as well as other priority capital investments of the municipality.

Klllokot, with a population of 5,145 residents, has a significantly functional administration although there were some changes made in the local government since the Mayor dismissed his deputy, Zoran Bogdanovic, charging him with poor performance and lack of seriousness in fulfilling his responsibilities. This was the second dismissal by the Mayor, since earlier he had dismissed the Director of Municipal Administration also¹⁶. At present there is an attempt to call for re-election as a petition is being signed with the initiative of former Deputy Mayor. So far there is no response from the central institutions on this issue.

The municipality has made significant progress in administrative services; having expanded its staff from only 10 people at the outset, to a current staff of 35 people, the municipality is now considered fully

¹² Progress Report on Establishment and Development of New Municipalities, February 2011, pg. 17. <http://mapl.rks-gov.net/repository/docs/anglisht_raport_optimized.pdf.pdf>

¹³ Koha Ditore – January 10th, pg. 14

¹⁴ Municipality of Klllokot Web-page. <http://kk.rks-gov.net/klllokoti/News/3-milion-investime-ne-vitin-2010-ne-komunen-e-re-t.aspx>

¹⁵ Municipality of Klllokot Web-page. <http://kk.rks-gov.net/klllokoti/News/Zbutja-e-papunesise-sfide-per-komunen-e-re-te-Kllo.aspx>, last checked 21st of April 2011

¹⁶ Mayor of the Municipality of Klllokot Discharged His Deputy. Kosova.info. <http://kosova.info/2010/11/kryetari-i-komunes-se-klllokotit-shkarkon-zevendesin-e-tij/>, last checked on 24th April 2011

functional¹⁷. In the five months since it was established, Klllokot has already collected 15,000 euro in local revenues, equivalent to 40% of the taxes the municipality is targeted to gather yearly.

On April 2011, the Municipal Assembly of Klllokot approved its Strategy for Sustainable Development and Integration 2011 -2014¹⁸,¹⁹ defining the basis for future development initiatives of the municipality in areas such as: Economy, Education, Employment, Health and Social Welfare etc. Klllokot is the first municipality to have such a long-term strategy.

Progress in the Municipality of Partes

Partes was the fourth municipality to be established through the decentralization process, later than the other municipalities, since the local elections of 2009 could not be held in Partes due to very strong resistance from the local Serbian community. Fortunately elections were finally held on June 30 2010 and the Municipal Assembly and local government were established by August 2010. During 2010, the Municipality has approved one Regulation as well as one decision. The local government functions through 6 directorates.

Accordingly to official announcement in March 2011, Partes citizens will soon get cadastral services at their new municipality. Officials from the Gjilan Cadastral Department said that they handed all the cadastral material to the Cadastral Department of Partes including the cadastral zones of Partes, Pasjan and Budrike that cover 2,865 acres of land, of which only 482 acres are publicly owned property. The Partes Mayor has gone a step ahead of other Mayors of newly established municipalities by removing from the Kosovo teacher's payroll Serb citizens that are part of Serbia's political or educational institutions -- including Dragan Petkovic, deputy to the Serb Minister for Kosovo, Goran Bogdanovic. He added that Serb teachers from Partes, Pasjan and Budrike have signed their work contracts with the Kosovo Ministry of Education and are willing to work according to the Kosovo legislation.

During 2010 the Kosovo government has invested 1million Euros in infrastructure projects, while MLGA has invested 230,000 Euros to build the sewage system in Budrige.

Progress in the Municipality of NovoBrdo (extended municipality)

The territorial expansion of Novobrdó has made it difficult for its government to cope with the enlarged territory, as a result of a many problems that were created. Even though the municipality has attempted to improve the conditions for business development, due to lack of infrastructure and the disfavoured geographical position of the municipality, potential business investors having been avoiding the municipality. On the other hand, the municipality of Novobrdó has shown itself to be a good example of inter-ethnic governance, with a Mayor from the Albanian community, and Deputy Mayor and Serbian Deputy Chairperson of the Assembly both from the Serbian community.

¹⁷ Kosova Sot, January 15th 2011, pg. 29.

¹⁸ Municipality of Klllokot. "Komuna e Klllokotit behet me strategji Zhvillimore." <http://kk.rks-gov.net/klllokoti/News/Komuna-e-Klllokotit-behet-me-strategji-zhvillimore.aspx>

The newly elected Municipal Assembly and the executive branch of the extended municipality were constituted in January 2010; since then Novobrdó has consolidated 10 directorates. The administrative services are fully provided by the municipality and there is significant progress compared to other municipalities, in service areas such as social welfare, road construction, sewage system construction, youth, culture and sport activities, as well as in citizen participation in all these activity areas. However, the municipality has made less progress compared to other newly established municipalities in expanding potable water coverage among its residents (currently only 20% of the population is covered, far lower than other municipalities). Novobrdó has received funds of 1 million Euros from the Kosovo Government to be invested in infrastructure projects to improve the poor conditions on the roads and sewage system of the municipality; additional, from the MLGA, the municipality has received 285,668 Euros to fund four road construction projects plus one for school reconstruction.

Novobrdó has a work force of 292 employees and the administration is considered functional and able to provide services to its citizens. The Mayor of Novobrdó, who comes from the Albanian community, is making major efforts to include as many Serbs as possible in the local governance -- having appointed Serbian directors and high officials from the Serb community in the directorates directed by Albanians, while appointing Albanians in directorates led by Serbs -- as a way of creating better communications and relations between both communities.

Progress in North Mitrovica

The process leading up to the establishment of North Mitrovica remains the most challenging and difficult one since the start of decentralization. The situation has not changed much since our report last year. The Kosovo Government, in cooperation with the international community, has approved a strategy of the North that was expected to serve as a guide for the creation of this municipality. However, just a few months after the strategy was approved and the Municipal Preparation Team was established, Belgrade organized parallel elections on 30th of May 2010 that were seen as a step backward in this process. Since the MLGA's MPTs have started their efforts setting roots to establish the new municipality, the Kosovo Government's 'strategy for Northern Kosovo' - which aims to increase the presence of Kosovo institutions in the north of Mitrovica and to integrate Kosovo Serbs into the Kosovo institutions - is somehow duplicating MLGA efforts. In its recent report ICG has proposed giving North Kosovo "dual autonomy" so both Kosovo and Serbia can exercise some powers in this part of Kosovo.²⁰ Although ICG provides evidence that the area is, in effect, moving in this direction, this approach would only strengthen parallel institutions there. The process of establishing new municipalities in Kosovo, as evidenced by other new municipalities, has shown that decentralization as set up by the Ahtisaari Package, if done with good and sustainable support from the Government of Kosovo and the international community, can provide great opportunities and space for self-government and the improvement of lives of local residents in Mitrovica North as well, if the local population so chooses.

²⁰ ICG Report 2011. "North Kosovo: Dual Sovereignty in Practice" Europe Report No. 211 – 14 March, 2011.

While the institutions of Kosovo have advanced in setting up an office for public services in the Albanian populated area of North Mitrovica, Bosnian Mahala, North Mitrovica is the location with the largest presence of parallel structures among all Serbian majority municipalities in Kosovo, – largely because there has been no way for the Kosovo Government to establish its sovereignty and legal system in this territory. Northern border points 1 and 31 with Serbia are well known for smuggling of goods, free of duty and tax – especially diesel fuel – from Serbia, via the north, to southern Kosovo. This trade supports a criminal elite that both the local Kosovo as well as Serbian communities are turning a blind eye to. Apart from the Serbian Government’s organized elections, Kosovo has not been able to organize any elections in the north for the past 4 election cycles; nor was it able to convince Mitrovica North Serbs to take part in the census that took place on April 2011, despite major efforts from international organizations.

Even though Serbs from Mitrovica North are part of the legal system of Serbia, there has been criticism about the way Kosovo Serbs are treated compared to Serbs in Serbia. An example that best illustrates the situation is the hard studying and living conditions that Kosovo Serb students are facing in the university based in Mitrovica North. According to a survey of students in this university, entitled “How to improve students’ life in the city,” student respondents indicated their disappointment with existing conditions, particularly lack of space and technological equipment along with lack of accommodation and food, and large expenses. This survey, organized as a student initiative and funded by the World Bank, shows that 80% of students have never heard about scholarship opportunities abroad; furthermore, all respondents complained about the great difference in learning conditions between the students in Serbia and the ones in the university in Mitrovica North.

Kosovo’s Deputy Prime Minister and Minister of Local Governance Administration --after a month of holding these positions said that despite Belgrade’s interferences aimed at manipulating Serb citizens of Kosovo and the protests of local Serbs against their integration in Kosovo institutions, he was sure that with local and international support he could make significant progress in trying to return Kosovo customs to their previous locations and engage in normalizing the situation in this part of Kosovo. He also promised that soon the Mitrovica North Municipality will be functional, but he did not want to set a time when this could happen²¹.

Serb high officials of Kosovo have continuously stated that they will not communicate in any way with representatives of parallel structures, because they are manipulating Serb citizens and harming the processes of Serb community integration in Kosovo Institutions already underway²². Despite all the difficulties, the MLGA has invested in North Mitrovica, around 86.000 euro, while the Kosovo Government has invested -- only in 2010-- around 5 million euro for capital investments in northern municipalities of Kosovo in total.

²¹ Kosova Sot – Sunday, March 27th, pg. 3

²² Ibid

	MLGA Capital Investments during 2010*	Grants by Central Govt Budget (2011)	Own revenues 2011	Capital Investments (2011)
Gracanica	766,478	4,138,780	400,00	1,486,688
Novobrdo	285,668	2,121,265	29,063	522,653
Ranillug	230,000	957,071	40,000	92,791
Kllokot	230,000	847,355	8,390	211,446
Partes	230,000	905,424	0	228,306
North Mitrovica	86,000	N/A	N/A	N/A

Effect of Decentralization on Local Service Delivery

Introduction

The poor quality of public services has remained one of the most problematic issues over the years and people across the country constantly complain about their level of services. Field research through focus groups done by UNDP early this year finds that the low quality of public services is one of the six top factors for the increased dissatisfaction among the population²³. On problematic public services is the supply of electric energy but local governments cannot do much as by law it is not within their power. However, in providing other services such as: provision of clean drinking water, access to sewage, management of waste, good clean environment, educational and health services as well as economic opportunities, local governments hold more of the responsibility now to deliver these services, as determined by the framework laws on local government.

The dimension of decentralization that is less political and more practical is the precisely the one that is concerned with this issue – i.e., providing good services and providing them in a way that is more responsive to local residents than those provided by centralized governments. This is the real decentralization, where palpable benefits are seen and appreciated by the citizens; and this is the type of decentralization that will, in the end, determine whether the decentralization process was successful -- or just a political compromise. Zvonimir Stevic, State Secretary of the so-called Serbian Ministry of Kosovo and Metohia stated that “other than infrastructure, decentralized municipalities don’t have anything new that they could provide in terms of a better future for Serbs; and they don’t have the capacity to resolve local problems.”²⁴ It has been three years since decentralization was initiated. If this statement proves true for much longer (the current figures and facts shows different reality), then the success of decentralization will be seriously compromised and the Serbian government will win its long-held argument opposing Serbs in Kosovo to take part in the decentralization process. For this reason, particularly, the principal focus in the future should be on improving service delivery by local governments. The mayors of new municipalities are in a constant ‘battlefield’ with the services delivered by parallel structures. To succeed, strong and substantial support must be devolved from central institutions at the capital Prishtina.

It must be kept in mind that decentralization with a focus on service delivery touches all of the municipalities of Kosovo, even the municipalities that did not give up or take up territory. And decentralization for this purpose will also be the determinant for extending the process into the most sensitive and challenging part of Kosovo, the northern region. The following will review the progress that has been done in: 1) providing necessary autonomy to local institutions to deliver services, 2) the overall funding provided to deliver services and the own-source funding municipalities have been able to generate to deliver services, and 3) the performance of municipalities and other actors in delivering services that citizens so much need.

²³ Public Pulse Report. United Nations Development Program – Prishtina, pg 51.

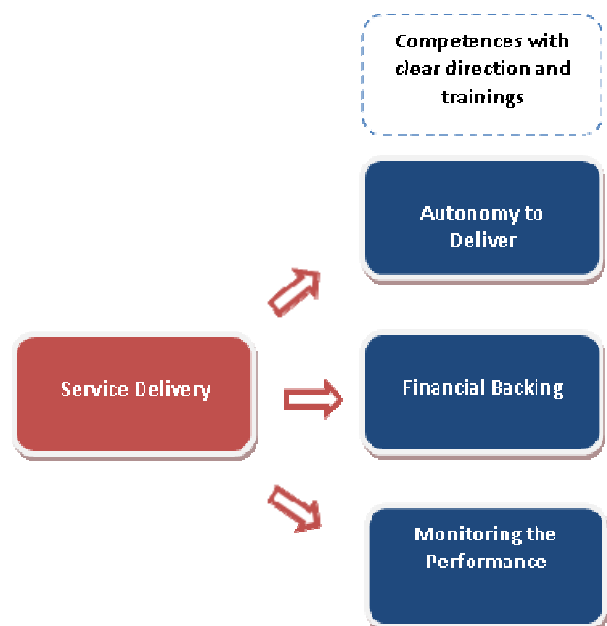
²⁴ KiM Radio. Contradictions Regarding Decentralized Municipalities. February 2, 2011.

Autonomy for delivering services:

First off, the MLGA and the ICO²⁵ stress that all of the own competences foreseen within the Law on Local Self-Government have been transferred to local governments (excluding here the municipalities of North Kosovo)²⁶. The delegated competences are in process to be completely handed over to local governments, whereas enhanced competences, assigned to majority Serbian municipalities, have not been transferred. But in order for a municipality to be able to deliver good services it must have considerable autonomy to operate in that sphere and the central government institutions must be in a position to offer technical assistance and support and oversee that the laws are not being breached.

Even in areas such as economic development, municipalities must have more autonomy to set their own paths of development, while central institutions assist and coordinate this development. Local economic development is specified as the first competence to be transferred to municipalities however, what exactly should be transferred within this competence has not been explored much²⁷. The most recent Public Pulse survey shows that only 5.7% of people believe that local governments are responsible for economic development in Kosovo²⁸. Among Kosovo Serbs this does not change much as it is only 6.8%. This is an indication that municipal governments have not been able to demonstrate their capacities to undertake economic development initiatives in their municipalities -- to prove that citizens can rely on their local government to improve their living standards. This is especially true in municipalities populated by Serbs, where local officials must show success in improving the local quality of life and economy in order to gain the trust of their residents.

Land use and development is one of the other competences specified in the LLSG to be transferred to the municipalities. According to central authorities, this competence is now in the hands of municipalities. But in fact, municipalities have had difficulties in exercising this authority mostly due to a lack of necessary autonomy and technical support from the respective central institutions. There is a conflict, moreover, about the ownership of public lands in municipalities. The central government determines the ownership rights of the land and, through the Kosovo Privatization Agency, privatizes much of the public land -- with the proceeds of the sale going to the Fund for Privatization, rather than the municipalities. In the meantime, the municipalities are faced with



²⁵ ICO web-page. Implementation of the Comprehensive Settlement Proposal – State of Implementation.

²⁶ Interview with Avni Sahiti, Director of Department for Research and Local Government Reform. March 29, 2011.

²⁷ Law on Local Self Government (Law Nr. 03/L-040),

http://www.assemblykosova.org/common/docs/ligjet/2008_03-L040_en.pdf, accessed 15 March, 2011.

²⁸ Public Pulse Report. United Nations Development Program – Prishtina, pg 51.

the problem of not having enough land for economic development, building schools, hospitals or administration buildings to improve their public services.

This lack of autonomy and support from the central government brings about situations like the case of the Bankos building in Gjakova, last year, where there is currently a major dispute between the municipality and the Agency over the ownership of the building. In this case, the Municipality of Gjakova took the initiative to improve its public services by using the building of former-Bankos. The citizens praised the municipality for this because it drastically cut the waiting-in-line time for personal documents, especially during the summer time when the seasonal Diaspora significantly increased the demand for services from the municipality²⁹. However, the Agency for Privatization has requested that the Municipality give up the building because it belongs to the Agency. If this were to happen, public service delivery would worsen and this is not a message that the central government should send while it is carrying out the decentralization process.

Gracanica has a similar dispute over the Ratar Property and the question of whether it is publically owned or not³⁰. The dispute remains yet to be determined. Additionally, Shtime is building a business park on land with disputed ownership. The municipality of Rahovec says that it has many problems with use of land since it has disputes with the Agency for Privatization; as a solution, the municipality has requested that the central government give more autonomy on this competence to the municipality³¹.

Even in the case of undisputed municipal property, if a municipality wants to alter its use, whether for economic development or public services, it must obtain the permission of 3 different ministries if the land use is to be altered for a period greater than 10 years, says Hysen Jerliu of Municipality of Kamenica, citing the Law on Municipal Property Transfers for Alternative Use³². In the case of transfers for less than 10 years the municipality does not need central government permission. But for private investors, incentives to use the land for long periods of time are crucial. This makes it important for municipalities not to be restricted in this competence. Municipalities must be left with some land for their own development needs in the future, either to improve their services or offer economic incentives for local business development. Moreover, this competence must not remain only on paper. Even ICO has determined that there is insufficient land for municipal services and that there is a need for an improved legal framework to acquire land for this purpose³³.

Even in the area of basic public services and utilities, a competence long recognized as requiring strong local government management roles to ensure effective delivery, clear assignment of responsibilities remains problematic. On the one hand, the authority of municipalities to perform this competence is clearly established in the framework LLSG but in a sense that secondary laws are not in harmony with the LLSG. In practice, however, the substantive operation of many of these public services is controlled

²⁹ Previously, the Municipality of Gjakova had a very small building in the busiest market section of the town for personal documents whereas now it is using the spacious building of former-Bankos.

³⁰ Interview with Nebojsa Milovanovic, Director of Administration, Municipality of Gracanica. 14 April, 2011.

³¹ Interview with Perparim Krasniqi, Director of Public Services, Municipality of Rahovec. (Through e-mail).

³² Interview with Hysen Jerliu, Director of Public Services, Municipality of Kamenica. (Through e-mail).

³³ ICO web-page. Implementation of the Comprehensive Settlement Proposal – State of Implementation.

by central line ministry³⁴. According to the Law on Publicly Owned Enterprises, if an enterprise provides services for 3 or more municipalities, that enterprise falls under the management of the central government, whereas the LLSG assigns full management of local enterprises to municipalities solely. If a POE is managed by the central level, then a municipality cannot exercise its power freely. Hysen Jerliu, Director of Public Services of the Municipality of Kamenica, says that – according to the LLSG -the municipality is responsible for managing its water supply, waste management and public heating; however, according to the Law on Publicly Owned Enterprises these competences fall under the management of the public enterprises. He adds that even though the Municipality of Kamenica has made major investments in building water infrastructure and in waste management, it does not have the freedom to provide these services on its own terms because they are not managed by the Municipality. Similarly, these services are managed by enterprises in the municipality of Gjilan; namely, “Higjena” manages waste management and “Hidromorava” manages water supply³⁵.

Due to this ambiguity, the management of solid waste and drinking water by local governments has been severely hampered this last year. A new Law on Waste Management and a new Law on Water is to be presented this year in the Assembly of Kosovo and it remains to be seen if at least legally this ambiguity is sorted out.

Secondly, there is the restriction placed on local governments to establish their own municipal enterprises if they are not satisfied with current enterprises. The Assembly of the Municipality of Kaçanik on April, 2010, did just that by deciding to establish its own municipal enterprise “NPK Lypoteni³⁶.” However, the central government says that the local government has violated Article 11 of the Law on Public Enterprise. They consider that municipal governments do not have the necessary authority to take this kind of initiative³⁷.

Thirdly, the central government infringes on the autonomy of local governments to provide public services and utilities, by dominating in technical inspections and not allowing each municipality to set its own charges for such services. Some municipalities may determine that increasing the charge for a service they deliver may be something that their residents can afford to sacrifice, in order to raise revenues to improve these services. In other municipalities, local authorities may determine instead that charges should be lowered or remain the same since the service delivery may not be as difficult. In any case, if municipalities are granted this competence by law and the central government wants to improve local service delivery such choices must be left to the local government with limited supervision and more technical assistance in carrying out the plans of the local government.

In the case of public education and public health care, although these services have been transferred to local governments (even with secondary legislation), municipalities have very little influence over budgeting, capital investment planning and use of funds. These critical attributes are still entrusted largely to the Ministry of Education and Ministry of Health, respectively. For example, while local

³⁴ Hajnal, Gyorgy & Peteri, Gabor. Local Reform in Kosovo. Forum 2015. February, 2010.

³⁵ Interview with Hysen Jerliu, Director of Public Services, Municipality of Kamenica. (Through e-mail).

³⁶ MLGA. Report on the Performance of Municipalities - 2010. June 02, 2011.

³⁷ Article 11.1 of Law on Publicly Owned Enterprises says “After the effective date of the present law, any publicly owned enterprise may be established only if authorized by a Government agency.

authorities are charged with disbursing salary payments to teachers and health workers, these have to adhere strictly to the salary lists provided by the two central ministries. There has been some progress lately with municipal financial autonomy in education but this is moving very slowly and it is taking place only in select municipalities.

The protection of forests is probably the best example of a competence, legally assigned to local governments, that still desperately needs to be transferred in practice. While clearly defined as a delegated competence in the framework legislation, in practice little power rests with the local government, resting instead with the Agency for the Protection of Forests, an agency created and overseen by the central government. This practice has been devastating to the protection of forests, as the Agency in question is not well equipped to handle the work. As a result, in many cases local governments have seen their forests being damaged and have not had the practical authority to do much about it. After much advocacy from municipalities themselves, a new Law on Forestry is waiting to be presented to the National Assembly of Kosovo; the proposed new law would abolish the Agency for the Protection of Forests and give sole authority to the local governments.

Competence (type)	Status Reported A Year Ago	Current Level of Autonomy
Land Use and Development	Transferred	<ul style="list-style-type: none"> - No autonomy in management of public land and properties within municipalities. - Ownership rights determined by central level. - KPA privatizing much of the public land with municipalities. - Many disputes between municipalities and the Agency for Privatization. - To lease municipal land for more than 10 years, the permission of 3 ministries is required. - Municipalities left with little land for local development or municipal services.
Public Services & Utilities (own competence ³⁸)	<p>Not transferred fully or fully functional.</p> <p>Legally they are transferred to municipalities or groups of municipalities but they have not been fully operationalized since the municipalities are falling behind in naming their board members in public enterprises</p> <p>Water management is not being</p>	<ul style="list-style-type: none"> - Line ministries very strong in management of public services. - Line ministries set the changes for services and dominate the inspections process. - Municipalities are not allowed to set up their own enterprises for public services - Central government, AKP, manages an enterprise for public services if it covers three or more municipalities. - Insufficient capital investment for improving

³⁸ The Law on Local Self Government foresees three type of competences: own competences, with full authority to be granted to the municipalities, delegated competences, with the authority resting on the central institutions but local governments are delegated to offer the services, and extended competences, which are competences only extended to certain municipalities with Serbian majority.

	transferred.	supply of water and management of water; little incentive for municipalities to contribute to investments under current institutional arrangements.
Public Education (own competence)	Salary lists for teachers have been transferred to local governments, as has the appointment of school directors. Law on Education in Municipalities (03/L-068) passed.	- Strong influence over budgeting, capital investment planning and use of funds by MEST.
Social Welfare	Transferred, but difficulties remain in management of social services. There is need for training. Ministry of Labour and Social Welfare (MLSW) was slow in handing this competence to the local government but it was a big job since they had to deal with 30 local social service centres.	-
Public Health Care	Transferred. Salary lists of health workers are in local government hands. However, the list of essential medications, which falls under this competence, is not transferred	- Strong influence over budgeting, capital investment planning and use of funds by Ministry of Health.
Secondary Health Care (enhanced competence)	Law on Local Health Care to reflect the enhanced competence of secondary health care (ICO)	- Not transferred, this issue is the topic for dialogue among senior stakeholders ³⁹ . The administrative and fiscal conditions of the enhanced functions in the Serbian communities have to be guaranteed. It would require specific regulations from the line ministries and additional funds from the Kosovo budget ⁴⁰
Distribution of Social Assistance Payments (delegated competence)	Not Transferred.	
Forestry Protection	Not Transferred.	- MoU signed between municipalities, MLGA, and

³⁹ Interview with Nebojsa Milovanovic, Director of Administration, Municipality of Gracanica. 14 April, 2011.

⁴⁰ Hajnal, Gyorgy & Peteri, Gabor. Local Reform in Kosovo. Forum 2015. February, 2010.

(delegated competence)	The Agency for Forestry Protection (AFP), an independent body created by the Assembly, still oversees forestry protection.	Ministry of Agriculture to transfer competence over “protection of forests and provision of licenses for cutting the forests”.
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Funding for delivery of services

While in many cases, municipalities are restricted in exercising the competences assigned to them by the LLSG, the main restriction, as any Mayor would tell you, is in the funding needed to carry out efficiently and effectively all the newly acquired responsibilities. With the modest growth of the national budget of Kosovo, the funding for municipalities has increased to face the challenges of new competences. But the increase is proportionally small. Last year, in 2010, the central government increased the budget for all 36 municipalities by less than 30 million Euros. However, in 2011, even though the figures show an increase in the budget for municipalities by 60 million Euros, the municipal portion of the national budget has decreased slightly, by 0.4%. Even general grants to local governments have decreased slightly in proportion to the national budget. In a time when decentralization and improvement of local service delivery is a priority of the government, the increase of the budget for municipalities should be equal to or greater than the proportion of the national budget.

But is this increase of funding enough to improve service delivery as much as is necessary to improve the perception of citizens in local service delivery? Gračanica mainly counts on its own funding to improve services and is not satisfied with the funding for 2010 and 2011 for these services, says Nebojsa Peric, Advisor to the Mayor⁴¹. The Director of Public Services of Rahovec states that the municipality does not have enough resources to provide good services to all citizens; the main reason is the small budget for the municipality-- since for the last two years there has been no increase of the municipal budget, whereas the requests of the citizens and the population increases⁴². Very much in need of additional funds, this municipality has sent 21 proposals to the Ministry of Economy and the Ministry of Environment and Spatial Planning for public service projects ranging from protection of water to waste management ; but they have not received any replies.

Competence (type)	Grant on 2009	Grant on 2010	Grant on 2011
Total Government Grants (€) (% of national budget)	€212,808,585 18.3%	€242,441,701 21.6%	€300,490,782 21.2%
General Grant	€87,765,219 7.56%	€99,800,176 8.91%	€114,209,624 8.07%
Newly created Serbian Municipalities (Gračanica, Klllokot,	-	€2,378,471	€2,774,781

⁴¹ Interview with Nebojsa Peric, Advisor to the Mayor of Gračanica.

⁴² Interview with Perparim Krasniqi, Director of Public Service, Municipality of Rahovec.

Ranillug, Partes)			
Newly created non-Serbian Municipalities (Junik, Mamusha, Han i Elezit)	€1,401,844	€1,553,160	€1,767,656
Primary Education	€99,312,666	€ 109,030,835	€143,475,722
Primary Public Healthcare	€25,730,701	€30,169,869	€38,249,813

The present system of inter-governmental finances in Kosovo has limited incentives for increasing efficiency and lacks proper equalization mechanisms. The differences in the costs of services between municipalities of different type and size, to some extent is determined by the own revenue raising capacity as well.

Expenditures of Municipalities by Categories

Competence (type)	Budget from 2009	Budget from 2010	Budget from 2011
Public Services & Utilities (own competence)	34,468,037 33 municip	47,083,715 35 municip	46,628,808 37 municip

Prishtina, as the capital city, is a particular, stand-alone challenge, having become hostage of political party agreements. On one side, the central government has harmed the capital for not ratifying the Law on Prishtina. On the other, there is no serious and consistent pressure from the local government of Prishtina to get this law ratified. As a result, the residents of Prishtina are still facing daily fundamental problems that affect directly the efficiency of local service delivery. In the absence of this law, Prishtina has lost €4 million a year, in total – if counted from 2009 when this law was initiated - over €12 million could have been allocated to the treasury of Prishtina if this law had been at passed early. These funds would have improved services drastically in a city that is rapidly growing, where citizens from all Kosovo, at some level, come for services. This loss on funds has contributed negatively as well by weakening the decentralized services in the neighbourhoods of Prishtina.

Performance on service delivery

Despite the low funding and the lack of necessary autonomy to provide services as municipalities would want, municipalities, in general, have shown improvement on delivering services for their citizens as the decentralization process has progressed this last year. Citizens more and more are looking to their local governments for their services and their needs as opposed to the central government (Public Pulse). Also, the capacities of municipalities have advanced in this respect. Every municipality last year had at least one capital investment on their sewage system or water supply system. Gjakova had three (3) water and sewage projects, Kamenica had 7, Prishtina had 8, and Mamusha had two (2) such projects.⁴³

But the needs of citizens for public services are still great. If we look at public utilities, we see that 16% of households still do not have access to drinking water, even villages nearby Prishtina are cut out from the water supply⁴⁴. Nearly 30% of all of Kosovo do not have a sewage or sanitation system. On the other side satisfaction with public utilities is very low as less than half of people in 2009 were satisfied with their water quality. Those most satisfied with water quality were primarily in rural municipalities, and the least satisfied were in small cities such as Rahovec (where only 9% of respondents said water quality was good) and Novobrdë (14%).

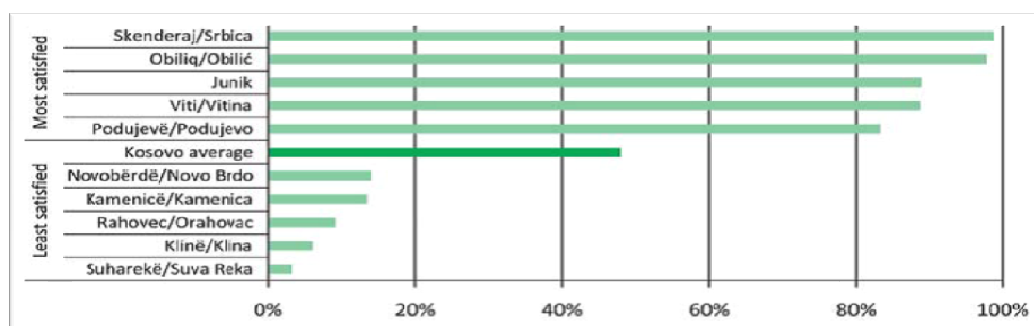


Figure 1.
Satisfaction
with water
quality

Appointment of board members by local governments in public enterprises that serve their municipalities remains a problem, as it was reported last year. Dragash and Mamusha do not have representatives in the Regional Water Company “Hidrogjeni Jugor” of Prizren. Gracanica is not represented in the regional companies because of the unsatisfactory level of services provide⁴⁵. Kaçanik, as mentioned earlier, is not satisfied with the regional water supply enterprise and it has set out to create its own.

Municipalities still have not become real owners of the POEs such as water or solid waste companies. The shares of each and every municipality have been determined by the government but most of them do not exercise their ownership rights. The shareholders’ meetings are not organized and the municipal influence appointing the company management is still rather limited. So the potential benefits from the efficient forms of service management and from private sector participation cannot be realized.

⁴³ Ministry of Economy and Finance (MEF). Budget Kosovo - 2010.

⁴⁴ UNDP-Kosovo. Mosaic Mosaic: Public Services and Local Authorities in Focus. October, 2009.

⁴⁵ MLGA. Report on the Performance of Municipalities - 2010. June 02, 2011.

PERFORMANCE		
Competence (type)	Level of Performance ⁴⁶	Performance
Land Use and Development	Some Difficulties	- Not yet devising the right incentives for land development and economic development for foreign investments - Restrictions on using land.
Public Services & Utilities (own competence ⁴⁷)	Several Difficulties	- Difficulties with management of public utilities and services. Problems with appointments of local government representatives in Boards of certain enterprises – leads to weak role of local governments in management decisions of enterprises - Insufficient financial resources for investment in infrastructure although there have been some improvements - Ambiguity on power to exercise the competence
Public Education (own competence)	Slight difficulties	Legal infrastructure in place Problems noticed with selection of school directors Fiscal decentralization to schools must be increased
Social Welfare	Some difficulties	Difficulties with human resources Infrastructure needs to be updated and extended to rural areas of municipalities
Public Health Care (own competence)		
Distribution of Social Assistance Payments (delegated competence)		
Forestry Protection (delegated competence)	Unsatisfactory	Restricted by current legal infrastructure Not enough financial resources
Creating of civil registries and transfer of cadastral offices (delegated)	Slight difficulties	Is Ongoing ⁴⁸

⁴⁶ Ranking is done with this category, from best to worst: Satisfactory, Slight Difficulties, Some Difficulties, Several Difficulties, and Unsatisfactory.

⁴⁷ Own competences, with full authority to be granted to the municipalities, delegated competences, with the authority resting on the central institutions but local governments are delegated to offer the services, and extended competences, which are competences only extended to certain municipalities with Serbian majority.

⁴⁸ Radio Urban FM interview with ICO Head of Community Affairs, Raphael Naegeli. 03 December 2010.

Potential for Inter-municipal Cooperation

Inter-municipal cooperation still seems to remain more a theory than a practical instrument in many parts of Kosovo. This kind of cooperation is successful only when there is a mutual temporary benefit and interest among the participating localities. It has usually been implemented only with regards to road infrastructure projects in Kosovo. Rarely has this cooperation been extended to other fields of interest -- like joint or shared public services or administration-- although there would seem to be the need for this kind of cooperation, particularly in services like waste management or fire brigades. Often, as it was observed by KLGI during its research and visits to some municipalities, the little inter-municipal cooperation that was found was informal in nature, based usually on personal favours or ties between the executives of the municipalities. This kind of informal cooperation tends to work because there is no doubt about the mutual benefit and interest. By the same token, however, rarely are formal written documents (e.g., a Memorandum of Understanding) established between the parties in these cases, making it difficult to evidence, supervise, or regulate the details of the arrangement. In this regard, KLGI recommends that MLGA, in Cooperation with UNDP and other stakeholders, should prepare a training program for selected civil servants, in order to create greater local understanding on inter municipal cooperation and partnerships, specifically, about the benefits of this instrument as well as the importance of adhering to certain legal procedures. KLGI also believes that MLAP should organize a conference with municipalities on this process to identify better the points of the possible training program.

Some local governments, however, have begun to seek inter-municipal cooperation as a way of significantly improving the kind of services they provide – even though there are a lot of opportunities in this direction and not all the potential is being used. In the sphere of economic cooperation, for example, with the help of the European Commission, five regional economic zones have been formed. This has moved the municipalities of each region to sign a joint agreement to commit to economic development projects for the region as a whole. This experience can be a good basis for strengthening inter-municipal cooperation in other spheres such as in public services, health care and forestry.

All in all, some important progress has been made in the creation of IMCs. The Municipality of Kamenica has signed three (3) inter-municipal agreements in the field of public services and provision of professional services⁴⁹. And the Municipality of NovoBrdo has signed inter-municipal agreements on education, health and inspection. Indeed, the experience of NovoBrdo demonstrates how IMCs can be especially useful for small municipalities, with limited capacities and a relatively large territory. Performing their new duties in the delivery of social services and social assistance continues to be a challenge for many municipalities, as they are still not equipped with the necessary human capacities and infrastructure. The local governments of Suhareka, Dragash and Mamush, for example, are still facing difficulties implementing their competencies in area in social services and social assistance.

⁴⁹ MLGA. Report on the Performance of Municipalities - 2010. June 02, 2011.

One very important issue is the lack of any kind of IMC with regards to joint strategic planning exercises among municipalities in Kosovo. There have been cases of twinning,⁵⁰ for example between the Municipality of Gjakova, in Kosovo, and the Municipality of Pardubice in the Czech Republic, envisaging the possibility of strategic economic and cultural development and exchange, with the possibility of applying for EU funds. Still this is a case of international cooperation; nothing similar has been attempted yet among Kosovo municipalities. KLGI in this regard urges the need to consider the possibilities of strategic planning with regards to IMC in all spheres of life, especially in the sphere of economic development and public service delivery.

⁵⁰ See 3.2. of this report

Conclusion

A decentralized system of local governance was placed by the Kosovo Government and the international community at the centre of the reform agenda right after the declaration of the Republic of Kosovo. Implementation of decentralisation on the ground shows that some positive steps have been achieved, but the job has not yet been completed and that what is committed on paper requires complementary support not only by one ministry (MLGA) but by a strong and serious commitment of the line ministries most directly involved in handing over their previous competences.

The full and effective implementation of competences by municipalities is running into difficulties. In the first place, municipalities have limited capacities to embrace and carry out all the responsibilities assigned by the law. In the second place, there has been a lack of sufficient resources and support by the central government, including line ministries. As a result, responsive and effective service delivery at the local level has been heavily challenged.

Inter-municipal cooperation (IMC), as a concept and tool that could strengthen service delivery, strengthen mobilization of resources and improve the planning process -- is not being used properly by a sufficient number of local governments -- even though last year several important initiatives were put in place. In the end of May the law on Inter-municipal Cooperation was finalized by the Parliamentary Committee on Local Government, and is currently in the process of being approved by the Parliament. This Law may potentially clarify and generate more IMC initiatives and indeed mobilize donor community support to IMC projects.

The process of establishment and consolidation of new municipalities seems to be moving in the right direction. Four municipalities are already established and now have in place functioning political leadership (Mayors and municipal assemblies) -- thanks to successful local election processes -- actively engaged in consolidating and advancing the municipal administration. The previous fear that the Serbian community would not accept new municipalities, in reality has not held to be true since their establishment and their functionality produced direct results both with regard to employment, on the one hand, and capital investment in infrastructure projects, on the other. The concrete results with direct investments slowly generated trust in the new leaders. Along this line, the parallel structures created at first in these same municipalities have started to weaken, although they are still present, especially in the fields of education and primary health care.

Contrary to the good example of the four municipalities already established in 2009 and 2010, North Mitrovica municipality has not yet been established. Unfortunately, three years after the Constitution, there is still not even a date set for municipal elections. The extreme degree of flexibility allowed in this jurisdiction, has resulted in a profusion of parallel and illegal institutions, as evidenced by their investments in infrastructure and management of services there.

Although, Municipal Preparation Teams were set up in North Mitrovica at the end of 2009 and an Office for Public Services was set up on 2010, due to the absence of political will, the process has not progressed and, indeed, has stopped there. Under these circumstances, where there is not a set deadline for the creation of the municipality, the recent "talks" between Kosovo and Serbia have interfered in this process. Indeed, it can be argued that these talks have contributed to the stagnation of the establishment of new municipality, keeping in mind that the Government of Kosovo and the

international community in Kosovo is hesitating to act, while on the other side the obstruction from Serbian officials continues to be present, encouraged by the official Belgrade position stressing that the North will be part of the “negotiations.”

More autonomy for the North as proposed by some think tanks – very differently from the type of autonomy proposed by the Ahtisaari Package and the Constitution of Republic of Kosovo -- will only increase the serious problems of poor accountability and responsiveness of the large number of parallel structures in this jurisdiction.

Recommendations

Establish North Mitrovica as stands in the Constitution and proposed in Ahtisaari

1. A date for elections must be set for November of this year to establish the Municipality of North Mitrovica. The government must mobilize immediately to prepare the community there with a message that the new municipality will be an opportunity for better services and a more responsive and responsible local government – chosen by them without any imposition from Kosovo or Serbian Government.
2. The issue of North Mitrovica must not be left to the discretion of talks with Serbia that might alter the decentralized system set in place by the Ahtisaari Package.

Local Legislation Reform

3. The Law on Local Self-Government must be amended in order to avoid current clashes in interpretation regarding local and central authority in the municipalities.
4. In particular, the Decentralization Working Group must harmonize the legislation to leave no room for misinterpretation in the specific areas of public services, ownership of public land and economic development.
5. The Government of Kosovo must re-draft and present to the Parliament of Republic of Kosovo the Law on Prishtina. This Law is required by and derives from the Constitution.

Improve the Delivery and Efficiency of Service

6. Improving service delivery at the municipal level must be the new priority, and line ministries must offer full independence to municipalities to perform assigned tasks.
7. Line ministries must refocus their commitment and mobilize to work with MLGA in assisting municipalities to effectively perform their newly acquired competences on the sectors of education, health, social services and economic development.
8. Efforts by the Ministry of Education and the Ministry of Health must be increased to strengthen the new municipalities to take charge of their respective education and health services, such that the last vestiges of the current system of parallel structures is diminished and these structures are offered a chance to contribute to a new, more effective integrated system.
9. Financial assistance for the municipalities, not just through block grants, must be increased gradually, in recognition of increases in their competences in recent years. The total budget for municipalities must reach the level of 35% of total budget of Kosovo within the next 3 years and block grants must reach the 12% mark. This will enable municipalities to carry out their new responsibilities on their own. Effective service delivery must not be compromised by excessively low budgets.

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