

**Limited Scope Assessment of Local Governance in Kosovo  
Recommendations for USAID/Kosovo's 2004-2008 Strategic Plan**

**REPORT**

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## EXECUTIVE SUMMARY

Effective, accountable and responsive local governance is key to the development of a democratic and self-sufficient Kosovo. Progress has been made since 1999 in establishing local government institutions and improving the skills of local officials, but the roles, authorities and responsibilities of local government<sup>1</sup> are confused and ill-defined, and local officials lack the capacity or the clear authority to adequately plan, allocate and manage resources. In particular, although the situation varies across the municipalities of Kosovo, there is little that can be called effective or transparent management, or innovative approaches to improving service delivery and local economic conditions, and serious questions have been raised about the need for structural reform. Indeed, one can go farther and state that massive confusion and lack of capacity within local government has led to significant and unacceptable levels of dysfunction.

The time is now for USAID to get involved in the local government sector. Local governments have just entered a four-year mandate, and nearly two years remain in the central mandate – this is a significant institution-building opportunity, coming at a moment at which local government is still in a highly developmental stage. Failure to address these needs now will allow poor practices, rather than best practices, to become endemic and hold back the growth of democracy. USAID can make a critical contribution in this area, based on its extensive experience in mounting effective municipal development programs in the region, and its strong standing in Kosovo. Indeed, USAID/Kosovo should enter the field now, in 2003, as critical developments are already under way.

In order to maximize impact and results it is recommended that USAID concentrate resources on selected issues and a limited number of municipalities, develop programs of comprehensive and practical training and technical assistance, and, in order to leverage results, offer a program of incentive-based grants, (funded and administered by USAID). All activities should proceed on the basis of:

- Continuous and ever-increasing involvement of and hand-over to Kosovo institutions and organizations;
- Collaboration and coordination with other donor and support provider organizations and government at both central and local levels;
- The need for engagement and perhaps involvement in at least some issues beginning early in 2003;
- A flexible and open-ended approach to strategic planning and program design, in order to be able to respond to sometimes rapidly changing circumstances.

With these considerations in mind, USAID should have as its **Strategic Objective for 2009 “Effective, accountable and responsive local governance, based firmly on a strong and institutionalized architecture of de-centralized power.”** In order to achieve that objective, program resources for 2004/2008 should be focused on:

- (a) strengthening the legal and institutional framework of local governance; and
- (b) improving the effectiveness of local governance.

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<sup>1</sup> Both “governance” and “government” are used in this report. The first word may refer to the act of governing, or the manner in which government governs, or the culture or the concept of governing or government, while the second word refers specifically to the structures or institutions which are set up by law in order to govern.

In articulating a Strategic Objective based on strengthening and improving local governance, it is understood that local government itself will not be the only targeted program beneficiary. Non-governmental and civil society sectors of society will be critical, as government does not stand on its own, but rather exists embedded in a complex community of citizens to which it is accountable. Thus, for instance, practices of local governance may be improved as practices of responsible and assertive citizen participation are developed and maintained. Concrete recommendations, therefore, will focus on an array of potential program beneficiaries.

#### **Strengthening the Legal and Institutional Framework of Local Governance**

USAID should engage as quickly as possible in the legal and institutional reform initiative and identify an appropriate entry point. The key interlocutors will be those organizations representing the interests of local government and the communities they serve, which are positioned to be catalysts for change in the devolution process. An Advisory Group on structural reform with a diverse membership of stakeholders could be established, chaired by such local representation, with USAID in a strong technical and supporting role. The goals would be not only a strong, public and principled devolution process but also the development of local stakeholders as advocates of the public interest, from a local perspective, in the in the de-centralization debate.

#### **Improving the Effectiveness of Local Governance**

USAID should undertake a program of assistance to a limited number of municipalities in four areas - municipal management, transparency and accountability (including an anti-corruption component), support for local economic development, and reconciliation and ethnic relations - which have been identified as the areas of greatest need, are critical to creating effective and accountable local governance, and appear to offer significant potential for tangible advance. Two critical program elements should be included:

(a)practical, on-the-job, results-oriented training, with intensive hands-on follow-up technical assistance, for select numbers of key municipal figures, on topics such as strategic planning, policy development, leadership and management skills. All training and technical assistance should be practitioner oriented and geared to the immediate needs and concerns of local officials.

(b)an incentive-based USAID grants program supplementing local resources, designed to encourage improved management practices, and directly linked to the objectives of the overall local governance-strengthening program. Depending on resources, grants could be small, which would also allow for greater diversity of projects within communities.

Selection of the municipalities in which to focus assistance would be through an open process with published criteria, possibly with an element of competition. The impact of the program should be expanded to all municipal governments through an information campaign emphasizing best practices, experience-based exchanges and practitioner-to-practitioner training.

USAID should target its local government program on specific areas that are of critical importance to democracy-building; this report identifies those which in the view of the Local Governance Assessment Team must be engaged now for progress in governance in Kosovo to occur. These are areas that have significant shortcomings likely to benefit from donor assistance, are key elements of local governance and community development, are directly linked to USAID's overall strategy, be within USAID's sphere of comparative advantage, and are not or are not sufficiently addressed by other donors. Through work in

these areas USAID can address such other considerations as gender, ethnicity and high levels of employment.<sup>2</sup>

The Report that follows is divided into three main sections: background material, the Team's findings in the field, and an analysis of those findings, with a brief conclusion.

## BACKGROUND

### I. Introduction

The USAID/Kosovo Mission has been providing assistance to Kosovo since 1999. The Mission is currently operating under a three-year transition strategy that will end in September 2003. Under this strategy the Mission has had three major strategic objectives:

- Establishment of an Economic Policy and Institutional Framework that Facilitates the Recovery and Expansion of a Private Sector-Led Economy
- Accountable and Transparent Governance
- Restored Normalcy in Living Standards & Opportunities

A new Mission strategy is currently being developed and will cover a five-year period from October 2004-September 2008. Substantial progress has been made over the last three years of USAID assistance, and under the proposed strategy the character of US assistance will likely shift from one of relief/reconstruction and development of a legal and policy framework to more targeted development efforts and institution building.

In October 2002, the Mission sponsored a one-week conference attended by a wide audience of partners. Working groups identified seven potential strategic objectives, distilled into three major areas, of which municipal governance was one. Although the Mission is not bound by the strategic objectives identified, it is clear that the role of the local government is a key aspect of development that must be considered in a new strategic plan and associated programs.<sup>3</sup> The purpose of this assessment is to provide specific guidance and recommendations to USAID/Kosovo with respect to a new strategy, and to provide suggestions about possible directions and priorities for assistance at the local level.

### II. Methodology

The Scope of Work for this assessment is set out in **Appendix II**. The Local Governance Assessment Team (the Team) was composed of four ex-patriates, including one with three years previous experience in Kosovo,<sup>4</sup> three with substantial international municipal development experience in other countries in the E&E region,<sup>5</sup> and one Kosovo Albanian with substantial in-Kosovo experience in community development.<sup>6</sup> The field component comprised two weeks of consultations during the first half of December 2002.

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<sup>2</sup> Detailed Program Recommendations are set out in **Appendix I**, page xx.

<sup>3</sup> For the purposes of this assessment, local government is defined as all government structures (i.e., municipal government) and quasi-government structures (i.e., village councils). While the bulk of the work under this assessment will focus on the role of government, the role played by such organizations as village councils should not be overlooked.

<sup>4</sup> Carolyn McCool.

<sup>5</sup> David Black, Robert Dubinsky, Michael Keshishian.

<sup>6</sup> Haki Abazi.

Consultations<sup>7</sup> were held with representatives of local government, citizens, representatives of civil society and intellectual leaders, politicians and persons from the central government, the UN civil administration, and donors and other agencies and organizations providing assistance and support in this area. Visits were made to a number of municipalities around Kosovo. On-going consultations with staff at USAID/Kosovo were critical. A large volume of reference material was collected for analytical review.<sup>8</sup> Throughout the process of field travel and consultation, a constant focus was kept on building recommendations from the ground up which reflect the reality of Kosovo today.<sup>9</sup>

Four assumptions informed the work of the Team: (1) that USAID will remain in Kosovo at least until 2009, (2) that sufficient resources will be made available to support a substantial democracy-building program, (3) that the traditional values which have guided the work of USAID for decades will remain at the core of its work in Kosovo, and (4) that novel and creative means of promoting those values will be welcomed and fostered.

### **III. The Significance of Local Governance**

Municipal government is one of the key structures for promoting the growth of democratic public life, as the interface between the citizens and government is greater at local levels than at provincial, state or national levels, and government at local levels has a greater understanding of the relevant circumstances prevailing in the communities. "Effectiveness, responsiveness and accountability in the performance of most governmental functions are best achieved by assigning responsibility to the level of government closest to the people."<sup>10</sup> Local government is responsible for providing important public services and regulatory oversight in such areas as licensing, construction and land use, many of which can best be provided on a decentralized basis.

The question of local governance is particularly important now as Kosovo is at the beginning of a solid institution-building phase, having passed the early post-conflict period of crisis management and basic stabilization. For instance, there are now structures of government in Kosovo with which USAID can focus on institution-building.<sup>11</sup> Municipal government can be one of the mechanisms for maintaining stability throughout the post-conflict period, since, if accountable, effective and responsive government is devolved away from the center as much as possible, it is more removed from highly political forces which tend to lead government away from concerns such as, e.g., improved service delivery, support for local economic development, and various regulatory and oversight functions.<sup>12</sup> Further, failure to address the needs of the municipal government now will allow poor practices, rather than best practices, to continue and to become institutionalized.

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<sup>7</sup> Organizations, agencies and persons met are listed in **Appendix III**.

<sup>8</sup> A bibliography of reference material is attached as **Appendix IV**

<sup>9</sup> More information is available on request as to the methods by which the Team built up its understanding of the needs of local governance and government in Kosovo today.

<sup>10</sup> USAID, *Local Government in Transition Countries*, page III "The Importance of Local Government in Building Democracy."

<sup>11</sup> The thirty municipalities of Kosovo, each of which has a Municipal Assembly, are listed in **Appendix V**.

<sup>12</sup> Of course municipal governments may be subjected to highly political forces, but one can make a more compelling argument that they ought not to be than with a central government which sees itself as having national responsibilities.

In particular, we are now in the second mandate of the municipal governments, one that will last for four years from October 2002, thus allowing a stable population of municipal leaders and staff, over a significant period of time to engage in areas of governance requiring attention.

#### IV. The Need for Flexibility

Kosovo faces significant uncertainty on a number of fronts. Heavily politicised<sup>13</sup> issues with the potential for far-reaching impact include ethnic relations (returns,<sup>14</sup> reconciliation<sup>15</sup>), benchmarks<sup>16</sup> and final status negotiations, and the SRSG's decentralization initiative, begun in the summer of 2002 and showing variable momentum since then (see below).

In exactly the same way, the impact of other agencies' and organizations' strategies and programs for 2003 and beyond cannot be predicted with any degree of precision or confidence. This includes the anticipated opening of the Kosovo Institute for Public Administration (KIPA), the proposed reduction of government administration Pillar II, (the UN Civil Administration), the roll-out of the Municipal Assembly Support program of institution-building Pillar III, (the OSCE), the steps the Kosovo Trust Agency (KTA) will take in managing public assets, and various relevant programs of the core donor community. Any or all of these can expand, shrink or change in a variety of ways over time.

These factors mandate that whatever USAID's strategy and subsequent programming is, it must be able to respond to change in the environment in appropriate ways, through monitoring, reviewing and adjusting over time, as well as coordinating, cooperating and collaborating with other support providers and beneficiaries. It is also critical that this ability for change be put in place as strategy and programming are being determined, so that initial as well as later stages of the plan are maximally appropriate and effective, having regard to all circumstances known and predicted at any one point in time.

Local government can be a pillar of democratic life, carrying society through the turbulence of large and small political and structural changes. For this reason it is

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<sup>13</sup> Politicized by the real or perceived self-interest of ethnic communities, in relation to each other and in relation to the real or perceived self-interests of the international community and various states. We do not yet see any real emergence of the notion of the public interest or common good or welfare of Kosovo or even of its ethnic communities seen together.

<sup>14</sup> The SRSG, Michael Steiner, has announced that returns is one of the three top priorities for 2003, the other two being economic development and organized crime (as reported Dec. 31.02 at B92 web-site, <http://www.b92.net>. Note that these are virtually the same three priorities identified by Mr Steiner upon taking up his position as SRSG in February, 2002 (economic success, beating crime and violence, and creating a fair society and safe home for all, with reference to freedom of movement, returns and security of Kosovo Serbian people, see *Address to the People of Kosovo*, Feb. 19.02.)

<sup>15</sup> Reconciliation in at least some form is required for returns to be sustainable – even if it is only at the level of acceptance, rather than full understanding and forgiveness. It is argued by some members of the international community in Kosovo today that a process of reconciliation is a condition for political progress and should precede final status negotiations. (Conversation with LGA Team.) The possibility of a reconciliation process has been mentioned publicly at least as recently as November, 2002, (Nebojsa Covic, Vice-Premier of Serbia, *Politika*, Nov. 22.02).

<sup>16</sup> A copy of the SRSG's benchmarks for Kosovo is attached at **Appendix VI**. These are the goals which are to be achieved before the negotiations over final status, which are required by UN Security Council Resolution 1244, are to be launched.

important that donor assistance remain not only stable and constant, but also flexible and appropriate.

## FINDINGS

### V. The Status of Local Governance Development in Kosovo

Significant issues intersect with local government at this point in time in Kosovo. These include relationships between and among municipal governments, the central government, and the UN interim civil administration, as well as the possibility that municipal government will be further de-centralized; relations between the dominant Albanian community and other ethnic communities, particularly the Serbian people of Kosovo; the ability of the municipalities to deliver services in efficient and appropriate manners; the relationship between government and the people overall; and the resources which are available to local government, including Kosovo Consolidated Budget (KCB) grants, own-source revenues and international donor funds. The findings of the Team have been organized into seven categories:

- A. The Legislative Framework and Intergovernmental Relations;
- B. Financial Resources;
- C. Service Delivery and Local Economic Development;
- D. Local Government Capacity;
- E. Ethnic Relations;
- F. Public Participation/Transparency and Corruption; and
- G. Other Donor Programs to Assist Local Government.

#### A. The Legislative Framework and Intergovernmental Relations<sup>17</sup>

Municipal or local government is established in the municipal law.<sup>18</sup> The Constitutional Framework of Kosovo provides for oversight of local government in Chapter 5.2.(i). The role of local government in Kosovo is further described in both the municipal law and the *Constitutional Framework*. While extremely detailed in some areas, other areas of the law lack sufficient specificity. This ambiguity, along with other factors, is responsible for a host of problems reported to the Team over and over during interviews: confusion over the role of central and municipal government,<sup>19</sup> confusion between Municipal Assembly members and the executive, confusion between the role of a municipality's main settlement and its outlying villages and confusion amongst citizens as to who is responsible for what.

Because the roles and responsibilities and relationships between municipalities and other governmental and international authorities – UNMIK, central government ministries and agencies – are not clearly defined in law, regulations, policy or practices, municipal officials do not fully understand the scope of their roles, responsibilities and competences. The effect of this is that municipalities do not take on the responsibilities they are

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<sup>17</sup> See **Appendix VII**, Overview of Structures of Government.

<sup>18</sup> UNMIK Regulation No. 2000/45, *On Self-Government of Municipalities in Kosovo*, UNMIK website, "<http://www.unmikonline.org>", which provides that "the present Regulation, in accordance with United Nations Security Council resolution 1244, establishes provisional institutions for democratic and autonomous self-government at the municipal level as a step in the progressive transfer of administrative responsibilities from United Nations Interim Administration Mission in Kosovo (UNMIK), which will oversee and support the consolidation of these institutions", in section 1.1.

<sup>19</sup> See **Appendix VIII**, Competences of the Central and Municipal Governments.



required to shoulder, and as a result, the quality of services, accountability and responsiveness to citizens suffers.

**It is not going too far to say that the extent of this confusion is massive, and has resulted in significant levels of dysfunction in local government, far beyond any limits of acceptability. Considerable legislative, policy and regulatory guidance relating to local government authority and responsibility will be required in order even to begin to rectify this situation, along with the training necessary to give life to such guidance.**

Particularly there is a lack of clarity about the roles of different central government entities and municipalities in terms of managing and improving the delivery of local public services (e.g., water and wastewater and solid waste collection and disposal). Municipalities in UNMIK Regulation 2000/45 were given the responsibility for ensuring adequate utility services. UNMIK Regulation 2000/49 then gave those powers to the central Administrative Department of Public Utilities. Upon the creation of the Kosovo Trust Agency (the KTA),<sup>20</sup> then, administrative authority over all enterprises and assets within the scope of Reg. No. 2000/49 was given to the KTA. It would appear, therefore, that the KTA is now responsible for the administration of all enterprises which are responsible for public utilities. At the same time it is widely believed that municipalities still have some general responsibility for providing services but their exact role is unclear. Local governments are represented on utility regulatory boards, but the powers of those boards and the role that municipal representatives should play are not well understood. Mayors<sup>21</sup> do not seem to know how municipalities can influence utility practices or investment decisions. The existence of minority parallel government institutions adds an additional layer of complexity to the relationship between municipalities and service providers.

How municipalities relate to the KTA is unclear and confusing. The KTA is an independent body and the custodian of all properties owned by government through Socially-Owned Enterprises (SOEs) and Publicly-Owned Enterprises (POEs). Consequently, municipalities no longer control SOEs and or have control or have any direct authority over POEs or their assets, which are the public utility service providers (PUSPs). Water, wastewater, solid waste and irrigation utilities are in the process of being restructured and regionalized. This situation raises a host of issues about how former municipal property will be managed and how utility providers will be held accountable and will be responsive to municipal service needs. Citizens do not clearly understand the responsibilities of different levels of government or different POEs and are not actively involved in municipal decision-making processes.

One of the major issues highlighted by all municipal officials to the Team was that of asset ownership. The ownership status of much of Kosovo's socially and state-owned enterprises and properties is yet unresolved. The KTA administers such property but has not allowed municipalities to make use of the buildings or land. As a result, municipalities have not been able to carry out some of the functions mandated under the municipal law.<sup>22</sup> Mayors are also responsible for "economic promotion"<sup>23</sup> but have not

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<sup>20</sup> UNMIK Regulation No. 2002/12.

<sup>21</sup> The term "Mayor" is used colloquially to refer to the President of a Municipal Assembly.

<sup>22</sup> For example, the Mayor of Skenderaj/Srbica has the responsibility for providing fire services and cemeteries (UNMIK Regulation 2000/45, section 3.1(g) and (p)). He had identified a building where he

been able to lease or rent buildings to prospective business people. Apparently, since June 2002, the burden of proof is upon municipalities to prove that a building or land is not a publicly-owned enterprise or property before they may make use of it. No municipality has yet been able to prove that a building or land is not publicly owned since this law was passed.<sup>24</sup>

Local spatial plans are outmoded and land use regulations are not adequately enforced. Illegal construction was one of the top problems mentioned by local government officials and in citizen focus groups. Pristina alone has over 20,000 illegally constructed buildings.<sup>25</sup> This uncontrolled construction boom started after the conflict in 1999, continues to flourish, and threatens the orderly growth of municipalities and the provision of utility services in Kosovo. Legislation and enforcement related to spatial planning and zoning are critically required.

Many villages have no residents in Municipal Assemblies. Village representatives say they are neglected by the larger settlements responsible for many aspects of their service delivery. Many municipalities have many more villages than there are assembly members. Some villages may have three representatives on the Municipal Assembly while other villages have none. Many villages therefore have no voice in the Municipal Assemblies. Village councils are not formally recognized units of local government and generally appear to function on a traditional and *ad hoc* basis. Further, there is no adequate mechanism for soliciting the views of local citizens or for representing their interests. A modification or completely new division of administrative units should be considered as the means of ensuring that villages, where over half of the population of Kosovo lives, are properly represented and serviced.

Many of the responsibilities that municipalities would normally exercise are in the hands of UNMIK, which is responsible for exercising powers reserved to it, and supervising and monitoring municipal activities and decisions. UNMIK currently retains the authority to approve all expenditures and can overrule any local assembly decision. Expenditure authority is being transferred in a process which will be completed in 2003. UNMIK's authority over local governments is a two-edged sword. On the one hand, it ensures, internally, high levels of transparency (although not with respect to the population), accountability and standards of practice. On the other hand, municipal officials resent outside control and believe they have the capacity to take full responsibility for their governments. This shared and inadequately-defined responsibility creates numerous conflicts and ambiguities.

#### B. Financial Resources

Kosovo municipalities have two sources of finance available to them: own-source revenues and intergovernmental transfers. The legal basis for the financial resources for municipalities is UNMIK regulation 2000/45, which provides that municipalities are responsible for preparing balanced, transparent budgets, preparing and executing a budget plan and establishing procedures, regulations and procurement rules that meet the criteria

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wanted to locate a fire station and a plot of land for a new cemetery. The KTA did not allow him to use either.

<sup>23</sup> UNMIK Regulation No. 2000/45, section 3.2(e)

<sup>24</sup> Interview with the Team, Dec. 12, 2002.

<sup>25</sup> Interview with the Team, Dec. 12, 2002.

prescribed by the Central Authority.<sup>26</sup> Municipalities are also authorized to collect own-source revenues in the form of (a) licenses and fees assessed and levied by the municipality, (b) income from municipal assets and (c) fines or a proportion of fines.<sup>27</sup>

According to Regulation 2000/45, municipalities are also entitled to funding from the Central Authority. Such intergovernmental transfers must be calculated on an objective basis (e.g., on population size, number of students, number of health workers, etc). A portion of the transfer is unconditional with the balance being conditional, that is, how municipalities spend some of these funds is prescribed. The Central Authority is supposed to notify municipalities in advance of the forthcoming fiscal year as to the amount of the planned transfers.

At first, the Team was surprised to learn from Mayors that municipalities were raising more than half of their budget from own-source revenues. This is unheard of in the E&E region. Lufti Haziri, the Mayor of Gjilan/Gnjilane,<sup>28</sup> told the Team that in 2002, the municipal budget was E3.4m, of which E1.5m was from the central government and E1.9m was own-source, or about 55%. The Mayor of Peja/Pec described a similar scenario and reported that 60% of his budget was own-source and 40% was from the central level. However, after closer study of the actual budget line items, it became apparent that the reason the financial state of Kosovo municipalities seemed relatively good was because they were not counting their health and education expenses as part of their budget but including them as own source revenues. Once health and education were factored in the local budget, the numbers became more representative of the region.

In fact, municipalities are still very much dependent on intergovernmental transfers from the Kosovo Consolidated Budget. The own-source revenues they are able to raise are only a fraction of their total needs, although this varies. For example, in Skenderaj/Srbica, the Team learned that of a total budget for 2002 of approximately E3m (including health and education), only about E200, 000, or 7%, came from own-source revenues. The Municipality of Obilic has a total budget of approximately E1.3m, of which about E250, 000, or 18%, is own-source.

The main source of own-source revenues for municipalities is currently revenues from traffic fines. In the Municipality of Peja/Pec, over half of the own-source revenues were raised from traffic fines.<sup>29</sup> Curiously, municipal management does not control this revenue stream because traffic citations are issued by police forces not under municipal control.

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<sup>26</sup> The Central Authority is defined in Regulation 2000/45 as “UNMIK acting under the authority of the Special Representative of the Secretary-General” (section 1.2).

<sup>27</sup> Deloitte and Touche, the firm auditing municipalities for the purposes of certification, report that “revenues from own sources consist of the following categories: Administrative Fees, Business Registration, Enterprise Fees, Cadastre and Geodesy Fees, Documentation Issuance, Real Estate Transactions, Traffic Fines, Rental Fees for Premises, Building Permits, Miscellaneous Tender Documents, Forest Penalties, Sanitary Permits and Rental Fees for Municipality Land” (in various documents, e.g., Assessment of the financial management capacity of the Municipality of Prizren, site visit Sept. 2 – 6, 2002).

<sup>28</sup> A spelling convention is followed whereby places whose names have virtually the same sound in the two primary languages are represented with one standard name (Pristina, Prizren, Mitrovica), and names that have clearly different sounds in the two primary languages are given both representations, with that of the dominant community appearing first (Gjilan/Gnjilane, Peja/Pec). This is awkward but standard and reasonably within tolerance levels in Kosovo for the politics of the naming of things.

<sup>29</sup> Interview with the Team, Dec. 4, 2002.

Intergovernmental transfers include general, health, and education grants. The education grant is by far the largest share of total intergovernmental transfers and the largest municipal expense (although municipalities do not count it as one of their expenses).<sup>30</sup> In general, it appears that intergovernmental transfers are being made in a predictable and timely manner.<sup>31</sup>

Municipalities were previously not permitted to carry over funds from one fiscal year to the next. This restriction cost the Municipality of Peja/Pec about E200, 000 because they did not spend it in time and had to return it to the central level. However, this regulation has been modified, and municipalities may now carry over unspent monies from one year into the next.

Mayors also reported as burdensome that every expense they incur has to be approved by the UN Municipal Administrator. According to the Mayor of Gjilan/Gnjilane, six signatures are needed for procurement authorizations. Municipal Administrators have reportedly also slowed down the procurement cycle by taking months to approve expenses. While there may be room for improvement in the manner in which Municipal Administrators exercise fiscal control over municipalities, the Team concluded that such control is necessary at this point in Kosovo's development, until adequate central government and local citizen oversight of local government can be established.

A more promising source of own-source revenues may be the newly established property tax. There is currently a USAID-funded pilot property tax activity being implemented in 27 out of Kosovo's 30 municipalities (the three municipalities that did not participate have Kosovo Serb leadership). USAID estimates that the property tax could account for up to one quarter or one third of total municipal revenues in five years.<sup>32</sup> Although there is no property tax legislation in place yet, it is expected to pass in 2003.<sup>33</sup> Up to E10m could be collected within a few years.<sup>34</sup>

The formula for setting property taxes is relatively simple. Municipalities are divided into four concentric zones. The first zone is the center of a municipality; zone two is the area just outside of the center; zone three is the fringe of a municipality; zone four comprises the villages and all remaining areas. The only other variables are the property classification (residential or commercial), the number of square meters, and the tax rate per square meter (which is set by each municipality).

The collection rate of property taxes, while still in pilot stage, has been relatively low. Approximately 10% of property tax bills issued have been paid in the pilot cities. Once a property tax law has been enacted the biggest threat to its success will be the ability and willingness of the municipalities to collect. It would be discouraging if property tax collection rates are low, since municipalities complain of inadequate resources, and there

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<sup>30</sup> The Finance Director in Skenderaj/Srbica reported problems with the equalization formula. The Central Fiscal Authority (CFA) had determined that there were too many health workers for the population (against other advice, in the view of the Finance Director). But since the CFA only determines the amount of the conditional budget for health, they only funded the smaller number, leaving the municipality to figure out how to pay the remaining health care staff.

<sup>31</sup> Interview with the Team, Dec 2, 2002.

<sup>32</sup> Interview with the Team, Dec 2, 2002.

<sup>33</sup> Interview with the Team, Dec 10, 2002.

<sup>34</sup> Interview with the Team, Dec 2, 2002.

is a financial incentive to collect property taxes through a matching scheme in the calculation of the general grant formula.

A potential source of revenues for municipalities is currently not available to them, namely, the ability to rent, lease or sell municipal land and improvements. Until municipalities are granted title or at least the right to make use of properties within their boundaries, they will not have access to this potential source of income.

Sub-sovereign borrowing in the international market is currently not permitted for Kosovo municipalities. However, borrowing from local banks is not prohibited, although UNMIK would almost certainly have to approve any such debt. Kosovo banks reportedly have good liquidity, yet no municipality is yet reported to have applied for a loan. Sub-sovereign lending within Kosovo could become one method by which municipalities could fund infrastructure improvements. This potential source will become more important as donor's funds shrink.

Finally, donor funding has been a large source of revenue for many municipalities. There are many donors that have paid for infrastructure rehabilitation projects throughout Kosovo. In conjunction with donor funding, it is interesting to note that people in Kosovo themselves have raised relatively large amounts of money to match donor funds, which in many cases require in-kind contributions from the community.<sup>35</sup>

Nevertheless, the needs of Kosovo municipalities are great, not only because of war damage but also because of decades of deferred maintenance. The lack of own-source resources or intergovernmental transfers that municipalities can program themselves greatly reduces their ability to deliver or improve services, or to be responsive to other needs of their citizens. Whereas municipalities are mandated by law to provide certain services, their inability to adequately deliver these services severely reduces local government legitimacy and credibility in the eyes of a population that voted for them in the expectation that they would improve living conditions. If uncorrected, this will stunt the development of democracy in Kosovo.

### C. Service Delivery and Local Economic Development

Under UNMIK Regulation 2000/45 municipalities were given responsibility for providing a wide range of services including primary and secondary education, primary health care, fire and other emergency services, social services and housing, local public utility services and maintenance of parks, local roads, open spaces and cemeteries.<sup>36</sup> In reality responsibility for many of these services is shared with central government ministries and agencies. For example, the ministries of health and education pay teachers and health officials, and municipalities are responsible for maintaining the facilities. The KTA is now responsible for administering all POEs which include the public service utility providers (PSUPS) that provide solid waste, water, wastewater and snow removal services.

As noted earlier the exact role and responsibilities of municipalities in ensuring the provision of many public services is unclear. This is particularly true in the case of POEs. They are being reorganized on a regional basis and are accountable to a board of

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<sup>35</sup> In a round table with NGOs, the Team learned that a village had raised E50, 000 as their in-kind contribution for a project.

<sup>36</sup> See **Appendix VIII**, Competences of the Central and Municipal Governments

supervisors, which includes municipal representatives. Neither the general public nor local government officials understand what role municipalities are to play in providing or monitoring these services or what authorities they have to improve service delivery. At the present time, the administrative and management capacity of the POEs is weak and their financial condition is poor because of the low level of collection of utility charges.

There clearly are opportunities to improve the availability and quality of public services and at the same time improve the efficiency and financial sustainability of PSUPs through reorganization, rationalization, restructuring and improved management systems. At the same time there is a need to develop systems so that they are accountable to the public and give adequate considerations to the needs and views of public and private interests in their service area.

Citizens have very limited knowledge and access to information about the services that municipalities provide and what the rules and requirements to obtain benefits are. In many cases administrative procedures require citizens to visit several offices and wait for extended periods of time to obtain what they need. Generally civil servants who provide services to citizens lack a customer service orientation and have little interest in efficiency.

There are wide variances in the quality and availability of many public services and the adequacy of public infrastructure in Kosovo. Many factors explain these differences including capability of staff, ability to attract donor funding, financial resources and changes in population.

In every municipality visited, local officials and representative of citizen groups identified the lack of jobs and high levels of unemployment as the most critical problems facing their communities. Numerous people said that they hoped the SOEs would be re-started and expanded to create additional employment. The law gives municipalities the responsibility for “providing basic conditions for sustainable economic development;”<sup>37</sup> however, the Team found that local government officials lack the knowledge, skills, capacity and vision to play such a role. Many lack a basic understanding of the principles of free enterprise and the problems businesses are likely to encounter in dealing with the public sector. While there are pilot efforts to help municipalities develop strategic development plans, most officials have limited contact with the business community or understanding of how local government can support or inhibit private investment and job creation.

#### D. Local Government Capacity

Institutions of local government in Kosovo are weak for a number of reasons. There have only been elected municipal governments since the end of 2000, and many local officials lack practical working experience or qualifications. Inexperience and lack of qualifications are of course partly due to Kosovo’s recent history, as Kosovo Albanians were excluded from the public sector beginning after 1989. It should be noted that the legacy of the old regime is that of a socialist type of government, which institutionalised values of inefficiency, lack of transparency and non-responsiveness, relied on corruption and disregarded the rule of law. Further, local governments are now handicapped because of less-than-optimal authority and resources.

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<sup>37</sup> UNMIK Regulation No. 2000/45.

Many local officials reportedly lack even the most basic organizational skills, such as how to hold meetings or how to take minutes.<sup>38</sup> Many Mayors do not understand how to use the power they potentially could exercise through municipal representatives on boards of regional service providers.<sup>39</sup> Municipal officials are seemingly unable to stop illegal construction in their communities. Others lack sector-specific skills, such as capital budgeting or projecting future revenues. The Municipality of Peja/Pec had to return E200,000 to the Kosovo Consolidated Budget because it was not spent in the calendar year (and the rules at that time did not allow it to be carried over, a situation which has now been corrected) even though the needs of that municipality were and are great. A lack of managerial and supervisory skills and vestiges of communist-era attitudes towards public service was also reported by international organizations operating in Kosovo. Interestingly, municipalities considered to be among the more reform-minded and capable were also the ones that expressly stated that they had training needs.

Local officials often do not understand the difference between the responsibilities of the legislative and executive branches of local government. The Team often heard from expatriates working at the local level that executives sometimes acted as legislators and assembly members as executives. The basic separation of powers of the various branches of government is a foreign concept to many municipal officials.

A new generation of professional civil servants is unfortunately not on the horizon. The current educational system does not have any young people trained in public administration in the pipeline that could help fill the current void. Many donors have provided training for public servants in recent years. But this effort has been largely lecture-style and to some extent uncoordinated, with limited little on-the-job or practitioner-oriented training or shadowing.

UNMIK has some control over minimum hiring requirements for local officials.<sup>40</sup> But in Kosovo, records are sketchy because many people were educated and employed in parallel structures and the reliability of documentation on a person's resume or CV may be questionable. Hiring of staff is often on a party affiliation basis, not qualifications. When political leadership changes, new leadership tries to re-staff government, thereby weakening institutional memory and starting from scratch with inexperienced staff, (as well as violating all modern hiring principles). Decisions are often made not based on Municipal Assembly initiative, but on directives by party leadership in Pristina.

#### E. Ethnic Relations

Ethnic tensions, particularly between Kosovo Albanian and Kosovo Serbian people, still run high. Although the situation continues to improve, the problem is still severe and a principal source of instability. In Mitrovica, the division of the city along ethnic lines has

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<sup>38</sup> In at least some of those municipalities where the OSCE has offered courses in precisely these topics, notable improvements have been seen.

<sup>39</sup> For example, the Mayor of Kamenica reported that the KTA advised him that it planned to cut off electricity to the local water utility because it had not paid a E27,000 bill. Instead of consulting the local representatives of the water utility supervisory board to prevent the power cutoff, which would interrupt the city's water supply, all that he planned to do was write to the water utility director.

<sup>40</sup> In some municipalities achieving an ethnic mix of municipal staff is a continuing problem. The UN Deputy Municipal Administrator in Kamenica said he has spent a great deal of time trying to identify, recruit and hire Kosovo Serbian staff for the municipality. The UN Municipal Administrator of Skenderaj/Srbica informed the Team that he is launching a massive reorganization of city government with senior-level layoffs because so many of the directors lacked adequate skills.

resulted in a *de facto* partition of the city, with many ramifications for local governance. For example, the municipality cannot enforce collection of revenues, the threat of violence diverts investment, and restrictions on freedom of movement mean that citizens cannot take advantage of public services (e.g., schools, hospitals) located in the other sector. In Novo Brdo, ethnic disputes over the 2002 election results led to the Municipal Assembly failing to be seated by the mandated date. In the Serb-majority municipality of Strpce, 1,350 IDPs place additional strains on municipal resources.

Belgrade continues to support a parallel system of government in some municipalities, inherently challenging the legitimacy of new Kosovo institutions. Financial support from Belgrade has helped address some infrastructure problems (although not well) and has kept some IDPs and others employed (to some extent), but the dual salaries distort the labor market and create resentment. Further, as Belgrade reduces its support, as it reportedly will do soon in Strpce and Mitrovica, the current over-employment of IDPs may significantly increase unemployment among Kosovo Serbs unless alternative job opportunities are created.

It is also reported that at least some Kosovo Albanians receive additional funds to top up their KCB-funded public salaries. The sources of such monies are not clear, but may be either diaspora or ex-KLA funds.

Although security has improved in some areas, freedom of movement is not yet a reality for many. Not only does this prevent Kosovo Serbs from returning to their homes (especially those who lived in cities and large towns such as Pristina, Ferizaj/Urosevac and Mitrovica), but it distorts the labor market and poses additional challenges for the provision of services. For example, there are Kosovo Serb doctors and health care professionals clustered in Strpce, even though that municipality has neither the population (i.e., the financial resources) nor the facilities to absorb them; Serbian people tend to want to go to the north of Mitrovica, where there is a large hospital and medical staff; Kosovo Serb municipal officials, as well as ordinary citizens, are limited in their ability to lobby central authorities, due to security concerns over travelling to Pristina.

Even in municipalities with relatively calm ethnic relations, the legacy of the conflict continues with implications for hiring practices, selection of villages for infrastructure projects, and security concerns. Multi-ethnic municipalities need to produce documents in at least two languages, and translators and translations are needed even in the course of routine administrative tasks. Schools in multi-ethnic towns now face new challenges in integrating classes that need to be taught in two languages.<sup>41</sup> The already weak capacity of local media to be an effective watchdog over municipal governments is further hindered by the fact that many segments of society will not understand news and information programs produced or printed in only one language. Many Kosovo Serbs have virtually no information about events and affairs of Kosovo because they are forced to rely on Serb-language media delivered or broadcast from Serbia.

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<sup>41</sup> It is important to note that Kosovo is losing a common language. Serbian was the one language that everyone understood; since the expulsion of Albanian people, and their implementation of a parallel system of education in the early 1990s, that is no longer the case. Most Kosovo Serbian people do not speak Albanian, increasingly fewer Albanian people speak Serbian, and the future is of a linguistically divided society, with the needs for interpreters and translators that that implies.



In sum, issues related to ethnic relations, language, IDPs, and returns have and will continue to have profound implications for municipal governance. The ability of municipalities to effectively address these issues is not only important for general economic and democratic development, but is essentially a prerequisite to determining Kosovo's final status.<sup>42</sup>

#### F. Public Participation/Transparency and Corruption

The concepts of citizen participation, transparency and standards of public trust are not well understood by citizens or public officials. There are very limited formal interactions between municipalities and citizens, and most municipalities do a poor job of informing citizens about government policies, decisions and the use of public funds. Consequently the level of public knowledge about local government is low. Citizens play a minor role in ensuring public accountability and transparency.

Mayors and civil servants lack a clear vision about the role of citizens in government decision-making and how it might be expanded. Many local government officials do not accept the notion that citizens or citizen groups have a function in policy or decision-making or that transparency is an important objective. There is inadequate recognition by public officials of the importance of transparency.

Citizens do not have effective mechanisms for presenting their views to either the legislative or executive branches of local government. While meetings of Municipal Assemblies are open to the public, this only gives citizens the right to attend and observe. Municipalities are required to hold two town hall meetings per year, but there are no guidelines for how to run these meetings or what kind of information should be provided at them. Citizens lack the knowledge and expertise to effectively interact with local officials on policy and budget matters.<sup>43</sup> Local media coverage of municipal governments is virtually non-existent in some municipalities.

Municipalities do not do a good job of providing information to the public. There is very little information available to the public about what the role of government is or what activities it undertakes. Municipal budgets and information about expenditures are rarely made public, and budget decision-making processes are not adequately transparent. NGOs are not actively involved in monitoring the actions of municipalities. Assessments of municipal financial management conducted by Deloitte and Touche in 2002 found shortcomings in internal audit procedures and transparency.<sup>44</sup>

The Team heard many complaints that nepotism and political affiliation have been the main criteria for appointing persons to most positions in the municipal administration. The cultures of public service and customer service are weak. There is no tradition or acceptance of the concept that local government officials are servants of the public and accountable to it.

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<sup>42</sup> This is the "standards before status" position of the SRSG: the final status of Kosovo will only be considered once certain benchmarks, or ultimate goals, are met. See **Appendix VI**, the SRSG's Benchmarks.

<sup>43</sup> Conclusion of a citizen focus group as well as several meetings with NGO leaders in various municipalities conducted by the Team. Even NGO leaders, who presumably should be more knowledgeable about how to engage local government, have very little knowledge about how to obtain public information from officials or understanding of local government policy processes.

<sup>44</sup> See the series "Assessment of the Financial Management Capacity of the Municipalit[ies]".

Corruption is an impediment to more effective local governance, and will likely become more of a problem as municipalities assume more control over financial management, if transparency and accountability are not correspondingly increased. UNMIK has worked to create systems of accountability that provide a foundation for transparency and prevent or mitigate corruption at the local level<sup>45</sup>, but these are not yet fully developed, and local officials need to buy into them if they are to be of long-term impact. How this process is to be carried through to the long-term and sustained institutionalization of reasonably acceptable standards is not something which is well understood.

Procurement is a complex process that creates opportunities for corruption. Businesses complain that procurement procedures are corrupt, indicating that there is at the very least either a perception of corruption in government, or a need to maintain that perception in order to deflect attention from one's own corrupt behaviour, which in either case needs to be addressed.

At the heart of the need to develop standards of public service, transparency and accountability is the existence of corruption, whether this is characterized as being at greater or lesser degrees of such things as nepotism and favouritism, avoidance of legal requirements or outright criminal behaviour. Hard data as to the incidence of corruption in Kosovo is not available to this Team, but that it exists, in all shades of grey and black, is simply undeniable.

#### G. Other Donor Programs to Assist Local Government

##### *(1) Pre-2003*

After the entry of NATO in June 1999 the only internationally-recognized government in Kosovo was the Interim Civil Administration of the UN Mission in Kosovo, constituted under the authority of UN Security Council Resolution 1244. Local staff were hired almost exclusively into positions as interpreters, low-level clerks and junior assistants, drivers, security guards and cleaners. An expert report commissioned by the OSCE noted in August 1999/2002 the need for training of what would become the government. In early 2000 the first elements of an indigenous administration emerged with the establishment of the Joint Interim Administrative Structures (JIAS), departments of the central administration co-chaired by local and international personnel, and it was at this time as well that the international community's first training programs began to appear. In the three years since then these became a proliferation of activities, which included a focus on the municipal governments even before the first elections in October 2000.

Various efforts at training coordination have been mounted, none resulting in any shining success, and at this point it is doubtful that we will even ever know exactly what training has been provided to whom, and by whom, in what topics, and when. Partly this is because any serious effort at coordination takes time and careful attention, a difficult challenge in an early post-conflict setting, but more importantly because there was never any vision handed down from the senior leadership of the international mission, or built from the ground up, of the real reason for coordination is. It is not to share information in order to avoid duplication; that is the most shallow and passive form of coordination. The real value of coordination is in order to develop a common strategy in the service of what is and must be accepted as a common mission.

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<sup>45</sup> For example, UNMIK established an Audit Office responsible for annual audits of municipalities, and international advisors are in the process of installing FreeBalance accounting software that will improve transparency.

The best efforts at mapping the training which has taken place are to be found in **Appendix IX: Training pre-2003**. In the competitive environment within the international community in Kosovo, it is very common to hear serious complaints about the training which others have provided. That may be, and a lessons learned conference is probably in order, but it is also true that a great deal of good work was done.<sup>46</sup>

A significant development within the last year or so is the emergence of local Kosovo organizations capable of developing and implementing institution- and capacity-building support programs. This includes Riinvest, the Kosovo Foundation for Open Society (KFOS), the Kosovo Civil Society Foundation (KCSF) and the Kosovo Action for Civic Initiatives (KACI) at the very least. These and others like them are reputable and credible organizations which should be targeted as partners or funding beneficiaries which a high likelihood of being able to mount and maintain indigenous training programs across a variety of institutions within the government, political and civil sectors. There is a need to help these organizations become more aware of and understand the important role that municipal governments potentially can play in advancing the democratic process in Kosovo.

*(2) 2003 and beyond*

It is widely agreed that with a reprieve from elections until the fall of 2004, Kosovo is now at the beginning of a serious window of opportunity for institution-building, and that this is particularly true at the municipal level. The OSCE is planning what they hope to be a comprehensive plan of support for the Municipal Assemblies in all 30 municipalities; this will include a Municipal Assembly Support Initiative (MASI), (modelled on the Assembly of Kosovo (AoK) Assembly Support Initiative (ASI)), which will be designed to coordinate all support programs targeting Municipal Assemblies. The European Agency for Reconstruction (EAR) is planning a best-practices program targeted at all 30 municipalities, to be focused through the Association of Kosovo Municipalities, based on their previous municipal experts program, which is now complete. The United Nations Development Program (UNDP) will be conducting a municipal services survey. Intensive training of finance and budget personnel is planned. Human resources and personnel staff throughout Kosovo will be the target of training through the DFID-sponsored multi-year Personnel Management Training Program. The Kosovo Institute for Public Administration (KIPA) is anticipated to open perhaps early in 2003, with training targeting senior civil servants across Kosovo in key top management areas.

## ANALYSIS

The Team spent considerable time analyzing its findings from the field. The process followed was two-fold: that which was heard and observed contributed fundamentally to an understanding of the current and pressing issues facing local government in Kosovo today; in addition, the Team brought its general experience to bear on all issues. For instance, with respect to the cross-cutting issues mentioned in the Scope of Work,<sup>47</sup>

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<sup>46</sup> Attached as **Appendix X** is a summary, for instance, of the training which the OSCE Department of Democratization carried out from the beginning of 2000 through the end of 2002. In total 5,410 people went through OSCE training courses in a variety of topics, and in a variety of different types of courses.

<sup>47</sup> See **Appendix II**.

(gender,<sup>48</sup> youth, the disenfranchised (minorities) and poverty alleviation), it may frankly be said that poverty alleviation, to the extent that it is a question of employment and economic development, is the only item on that list within the central concerns of local government today in Kosovo.

It is the view of the Team that cross-cutting issues should be treated as such, as informing the programming which takes place in all areas of work, rather than being the subject of specific programs themselves.

The Team analyzed its findings from the field in a variety of ways, including from the perspective of cross-cutting themes, and ultimately came to the view that USAID's **Strategic Objective for 2003-2008 should be "Effective, accountable and responsive local governance, based firmly on a strong and institutionalized architecture of decentralized power."** This can be achieved by pursuing two goals: Strengthening the Legal and Institutional Framework of Local Governance, and Improving the Effectiveness of Local Governance, as set out below in sections VI and VII.

## **VI. Strengthening the Legal and Institutional Framework of Local Governance**

Rationalization and reform of the legal framework are essential pre-conditions for local government to advance in Kosovo. As it is now substantial overlaps of jurisdiction or competence are written into the law and an impossible level of confusion exists within the various arms and levels of government and in the minds of the public. Clarity in this area would be required for support programs to be designed with a high degree of confidence in their suitability. Some question the appropriateness and soundness of the current structure of 30 municipalities. If de-centralization of municipal government is to be implemented,<sup>49</sup> this will be a very large public and government undertaking requiring the substantial dedication of resources over a multi-year horizon. All of these questions need to be woven together in a consultation and decision-making process which puts the public interest in Kosovo in the foreground.

### A. The Legal Framework is Inadequate and Confused.

The first steps towards decentralizing government in Kosovo have been taken. There is *political power* at the local level in that members of Municipal Assemblies are directly elected by citizens. Assembly members, in turn, elect a president (i.e., a Mayor) from among their own ranks. There is a degree of *administrative power* at the local level; municipalities have some functional responsibilities such as maintaining certain infrastructure and issuing various sorts of permits, to name a few. A degree of *fiscal authority* has also been devolved to the municipalities, which have some own-source revenues in the form of sundry fines and fees and now have the authority to collect a property tax and to budget those revenues.

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<sup>48</sup> The situation of women in Kosovo is a subject of considerable controversy. At one level there is a tradition of strong prominence of some high-profile women, and there is a vibrant, if small in numbers, womens' movement. On the other hand there is some evidence, deeply disputed by in particular Kosovo Albanian leaders, that women and female children are heavily discriminated against in a variety of ways. (See the OSCE Gender Report published late in the summer in 2002.) This is a complex and difficult area of work which is worthy of great time and attention, but in the opinion of the Team ought to be treated, as suggested in the Scope of Work, as a cross-cutting theme rather than as a direct focus of programming by itself.

<sup>49</sup> In such a process an early priority would have to be a thorough review of different models of de-centralisation, with a firm projection of the costs and benefits, including non-monetary or secondary consequences.

However, local government reform is a process, not an event. While the degree of political, fiscal and administrative authority that has been devolved to the local level in Kosovo is a good start, there are still many areas that either have not yet been addressed or have not yet been adequately addressed. Local governments are mired in confusion over their competences vis-à-vis the central government. The issue of municipal assets appears far from being resolved and municipalities still rely heavily on intergovernmental transfers or grants from the KCB. In order to enable local governments in Kosovo to serve the populations to which they are accountable, the legislative framework defining their authorities, geographic jurisdictions and sources of revenue needs to be better defined, refined and expanded upon.

The law foresees a further devolution of powers from that set out now. In the context of giving the central government certain oversight and assistance responsibilities with respect to the municipal governments, the *Constitutional Framework* states that “[i]t is understood that additional powers will be progressively transferred in an orderly manner”, and the law *On Self-Governance of Municipalities* requires municipalities to enter into arrangements with villages, settlements and urban quarters within its territory to ensure that the needs of all inhabitants are met, and gives municipalities the power to approve the “carrying out” of municipal activities by such sub-municipal geographic areas.<sup>50</sup>

#### B. There is No Adequate Plan to Address Local Government in Kosovo.

In the summer of 2002 the Office of the SRSG developed an intense and serious interest in what is now called de-centralization. Consultations took place exclusively within UNMIK or at the most within the international community. In a public address in October on the question of Mitrovica the SRSG referred to this issue,<sup>51</sup> and it was clear that his expectation was that agreement on devolution of power could be reached by the time of the municipal election. After the municipal election in October 2002, Mr Steiner announced that as a result of the partial Kosovo Serb boycott, consultations on this issue were either cancelled or postponed.<sup>52</sup> It appears that he was subsequently convinced otherwise, and in early December, 2002, two representatives of the Council of Europe (CoE) went to Kosovo for a 24-hour trip to consult, reportedly, on the possibility that the CoE would write a report on de-centralization in Kosovo.

There is no question but that most parties, including the ethnic communities of Kosovo, see the devolution of power through the lens of self-interest. The dark side of de-centralization is what is now called “enclavization”, a form of heightened division of ethnic communities in Kosovo, with a resulting increase of mono-ethnic power in distinct geographic locations.<sup>53</sup> The potential danger is great if this question is not handled very carefully. USAID could play a critical role in trying to ensure that any devolution of power from the centre to the municipalities, and from municipalities to sub-municipal units of government, or into a greater number of municipalities, is **de-coupled from**

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<sup>50</sup> See the *Constitutional Framework* and the law *On Self-Governance of Municipalities*, Chapter 5.2 and Section 5, **Appendix XI**.

<sup>51</sup> The 7-Point speech, October 1, 2002, attached as **Appendix XII**.

<sup>52</sup> As reported by B92 on or shortly after October 29, 2002.

<sup>53</sup> Kosovo Serbs have indicated that their primary interest in any de-centralization initiative is in the creation of new municipalities, rather than the sub-division of existing municipalities into smaller units. This would clearly be a bid for power on their part, and a possible step in the ultimate partition of Kosovo. On the other hand, Kosovo Albanian power brokers could see de-centralization as a means of marginalizing the Serbian population, with the ultimate goal of encouraging them to leave Kosovo, even if within newly-drawn borders or boundaries.

**political and ethnic agendas of self-interest, and is played out in the context of an open, transparent process with a significant public participation program.**

At this point, there is not even a timetable for the reform effort,<sup>54</sup> nor does the level of effort of the SRSG's current approach to local government reform appear to be sufficient. The CoE's first mission was extremely brief,<sup>55</sup> although reportedly it did include meetings with key Kosovo Albanian and Serbian leaders.

Apart from these brief CoE meetings with some Kosovo leaders, it is not clear that there has been any consultation of any kind on questions of de-centralisation outside of the international community, although the process is now over six months old. This again, is very dangerous, to say the least. Any proposed legislation that results from a primarily donor-driven effort will be rejected by the Assembly of Kosovo.

In order to de-centralize properly, an extensive process of public consultation, negotiation and drafting, almost certainly spanning more than one year, will have to be launched.<sup>56</sup> Technically the task is enormous. A whole host of laws and regulations must be prepared, each pertaining to sector-specific competences such as health care, education and service provision, to name a few. The personnel and fiscal consequences of various options must be considered. Simply drafting a new local government law, such as 2000/45, would not be adequate. The *Constitutional Framework* may need to be amended. Before legislation is drafted, other legislation must be scrutinized to assure compatibility, and sector-specific committees, (e.g., health and education), should be formed and studies carried out. Technical specialists must be brought into the process when dealing with certain issues. Consultations would have to be held among all arms and levels of government and with the civil and non-governmental sector. All documentation would have to be available in all necessary languages. Subsequently, officials would have to be trained in their new roles and responsibilities. It is clear that overall this is a huge undertaking.

### C. Organizations Representing the Interests of Local Government and Local Communities will be Key.

In order to promote and adhere to principles of sustainable capacity-building, the local government program should support the development and transformation of indigenous organizations which can be the principal advocates for local government in any devolution process. Particular attention should be paid to identifying all those organizations which reflect a true local interest, along with the ability to develop and implement, with support, a strategy which will promote a process for the rational devolution of power in Kosovo. These might be local NGOs, Kosovo-wide NGOs with an interest in local issues, citizens' fora or groups, or professional organizations, and would

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<sup>54</sup> Meeting with LGA Team, December 2002.

<sup>55</sup> It is reported that when CoE officials start working on local government reform fulltime in Kosovo, the team would most likely consist of several people that would stay for up to nine months to complete a process of consultation, study and reporting. This is consistent with CoE methodology in local government reform in other countries in the region. As the CoE is not a donor or implementing body, implementation of local government reform is left to others. The CoE typically remains involved then only in monitoring the country's adherence to the European Charter on Local Self-Governance.

<sup>56</sup> Questions of efficiency have an impact here – some services are provided more efficiently at higher or lower levels of government. These judgments have to be made in the course of reviewing all options and determining the best overall structure for Kosovo.

include the Association of Kosovo Municipalities (the AKM),<sup>57</sup> Which represents the interests of municipalities.

The potential, therefore, would be to aim at two targets with a single program: the development of a rational, principled and public devolution or structural reform process, and the building of a substantial capacity, to advocate on behalf of local government, within local organizations representing the interests of local communities and government, as the key facilitators in the devolution process.<sup>58</sup> Specifically, one or possibly a coalition<sup>59</sup> of local organizations could establish and chair an Advisory Group on structural reform, with a diverse membership made up of all stakeholders, relevant actors and interested parties, with USAID as the principal support organization, providing advice and technical assistance based on its experience in the region examining decentralization options and assessing different decentralization structures.

## **VII. Improving the Effectiveness of Local Governance**

The environment for improving local governance is both positive and challenging. Although competences are still confused, and limited, municipalities have significant responsibilities, and the ability to effect change, respond to citizens, and improve the quality of life. At the same time, while citizens have only a very basic understanding of the role of municipal governments, and their expectations remain low and colored with cynicism, they look to local government for many things, and understand the basic idea of entitlement to service. They could demand more than they do. The point is this: while confusion is vast, and the catalogue of problems apparently endless, power does exist, within government and within the ranks of the citizens, and that capacity can be harnessed even in the absence of systematic reform, if there is the collective will to do so. Further, these matters cannot be postponed. They must be addressed contemporaneously with structural reform, not consecutively, otherwise local government will lose effectiveness and credibility.

At the same time, the ways in which these needs are met must be decisive, appropriate and competent. Kosovo no longer has any luxury of time in which to demonstrate its ability come to grips with deficiencies and to advance – too many other, and in some cases highly political, circumstances depend on this. The potential for concrete, measurable progress within a reasonable number of years must be maximized to every degree possible. This can be done by focusing resources and leveraging results.

### A. Focusing resources: targeting only some municipalities.

To concentrate resources and increase impact, a limited number of municipalities can be selected for concentrated and targeted assistance, where resident advisors and/or expert consultants would spend extended periods of time, working with key municipal figures, both governmental and civil society, and coordinating USAID programs in those municipalities. To set a model of transparency in an environment of cynicism about at least some donor funding, the selection should be on the basis of a completely open process and promulgated criteria, with the possibility of at least some degree of

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<sup>57</sup> See **Appendix XIII**, Association of Kosovo Municipalities.

<sup>58</sup> This would complement the work that other organizations (e.g., the OSCE), are planning in order to build the capacity of local organizations and associations such as the AKM as service organizations.

<sup>59</sup> Note that a coalition might present very difficult questions of efficient operations and capacity-building.

competition. The process and criteria should be developed in consultation with stakeholders and other support providers and made available to the public.

Clearly, substantial thought would have to go into the basis upon which certain municipalities would be beneficiaries, and others would not, and certain policy decisions would have to be made. It would be possible to pre-select municipalities on the basis of their position in Kosovo – for instance, the five regional centers (Prizren, Peja/Pec, Mitrovica, Gjilan/Gniljane, Pristina), or the capital alone, Pristina. One consideration of course is the predicted availability of resources over time, but other difficult questions present themselves, such as the need to identify locations where measurable progress can be anticipated, but without avoiding the difficulties which mark Kosovo at this stage of its development. Success is important, but success in hard cases is even more important.

The great advantage of a competitive selection process is that it contains development incentives. Criteria might include such things as demonstrated or planned initiatives to implement reforms and procedures promoting transparency and citizen participation, demonstrated or planned efforts to address ethnic issues including returns, and the potential for promoting local economic development. The criteria could be designed to select municipalities with strengths in all areas, or to select one or two municipalities for each criterion.

Whatever the selection model, program design should include a plan for the dissemination of models and lessons learned which could serve as best practices for all municipalities in Kosovo.

#### B. Leveraging results: offering incentive-based development USAID grants.

The implementation and adoption of new procedures, practices, and reforms by municipal governments will be significantly enhanced if the local governance program includes a mechanism for strategically targeting financial incentives. Unlike an infrastructure or community development fund, an incentive-based grant program would make available a pool of USAID funds to the implementing partner to offer grants for the purpose of achieving core program objectives of the strengthening local governance program. In other words, the grant component would not be an end in itself, but a means to leverage results in municipal management, transparency, and local economic development. The grants might be applied to hard infrastructure projects, but might just as likely be used for other purposes, e.g., to support the development of a citizen watchdog committee, a civil society/local government standing roundtable, or a weekly radio call-in program. The grants would be in response to locally-identified priorities, but the decision to award grants would be at the discretion of the implementing partner for the purpose of encouraging results, such as improved procurement procedures, increased citizen outreach, or adopting measures to promote small business development.

#### C. Program Areas

Taking the above factors into consideration, and based on the two-week field investigation carried out at the beginning of December, 2002, four areas have been identified where USAID can make a unique and important contribution: (1) municipal leadership and management, (2) transparency, accountability and anti-corruption, (3) promotion of local economic development, and (4) reconciliation and ethnic relations. In all four areas work with civil society and non-governmental sectors must be given appropriate weight and place, as well as work with government itself.



*(1) Municipal Leadership and Management*

Management, planning and analysis skills are critical to the effective use of staff and financial resources, the provision of efficient and adequate services, and to ensuring adequate regulatory oversight of activities in municipalities. The management of a municipality requires decisive engagement in a multi-stage process, (priority-setting, planning, implementing, monitoring, reporting), with a variety of stake-holders and parties representing a diversity of interests (including ethnic and other self-interested communities from rural and urban locations, disadvantaged persons including women and the disabled, political parties, the various faces of the central government and international administration, the civil society sector, and private and public business interests from within and without Kosovo). Municipal leaders demonstrate varying levels of abilities to handle the complexities of these relationships and their demands, which may be divided into four categories:

- Horizontal engagement (of all interest groups and stakeholders);
- Vertical engagement (of all levels of decision-making);
- Technical management (of all skills required, e.g., budgeting and financial management, administration, personnel and resource management etc);
- Strategic planning (visioning, consulting, goal- and priority-setting, policy development and implementation).

Municipal leaders and senior managers have not been exposed to modern management principles and approaches and techniques for decision-making. They may not understand the principles of a market economy and how the public and private sector can work together and develop partnerships. Specifically they lack skills in basic principles of leadership, supervision, organizational development, strategic planning of capital budgets or economic development plans, priority setting, budgeting, program design, implementation and management, procurement, and effective citizen and business involvement. Other senior staff lack skills in responding to technical issues such as illegal construction, property tax administration, processing administrative requests and licenses, setting up a one-stop center, and establishing local economic development programs. They need additional training in such areas as transparency, public participation, customer service and procurement.

Municipal Assembly members lack basic skills in policy and decision-making, and adequate skills in financial analysis and budgeting. They may not understand the role of assembly members in local public administration or how to effectively represent their constituencies. In addition, but not as the last priority by any means, management of a municipality requires an understanding of the nature and structure of municipal government and its place in the overall architecture of government across Kosovo.

If the development of local or municipal government in Kosovo is now, as we have argued, important to the on-going development of democratic public life, then the management of municipalities in ways which are consistent with those principles is critical. Providing a wide range of skills training and professional development opportunities would be a cost-effective way to increase municipal capacity and make use of available personnel and financial resources. While training has been provided to officials for three years, the time has come to develop more integrated training programs around the specific goals of transforming local officials into more effective and informed decision-makers and implementers.

*(2) Transparency, Accountability and Anti-Corruption*

This is essential for the development of democracy. Lack of transparency in municipal governance, if untreated, will significantly undermine, and ultimately prevent, democratic and economic development. Increased local authority must go step-in-step with increased transparency and accountability or the result will be greater corruption and inefficiency at the local level. Lack of transparency in procedures and processes contributes to corruption, inefficient resource allocation, public cynicism about the role of local government, and mistrust among political parties, ethnic groups, and government bodies, and among the citizens of all of those.

The most obvious concern is in the area of financial management. Procurement procedures have been promulgated, but need to be clarified, properly implemented, and better enforced. UNMIK Regulation 2002/18 established the office of the Auditor-General of Kosovo as of October 2002, but the office is new and its mandate is broad. Internal audits in municipalities are not sufficiently independent, and audit procedures need improvement.<sup>60</sup> All of these circumstances can have a profound, and profoundly negative, impact on democratic and economic development, unless handled properly, with democratic and market reforms coming to be seen as no more than mechanisms for the theft of public resources.

Increasing transparency and accountability at the municipal level should be a priority for USAID for several reasons, not the least of which is its experience and expertise as a leader in this area. The effectiveness of virtually all other municipal reform and assistance programs, as well as most of USAID's economic and social sector development programs, depends in large part on achieving a level of transparency and accountability that does not yet exist. At the same time, no other organization appears to have, at least as of yet, a program focus on transparency and accountability *per se*.

Public support for democratic and market reforms will quickly evaporate if those reforms do not address transparency and accountability. This can erode the legitimacy of government and increase mistrust, intolerance, and apathy. Unchecked corrupt practices may discourage citizens from paying taxes and utility bills, and divert resources away from addressing priority problems for citizens. Transparent processes and proper oversight mechanisms with regards to contracts, budget expenditures, and revenue collection will help ensure that resources are utilised efficiently.

The extent to which corruption is a problem at the local level is open to question, and undoubtedly varies across Kosovo, but that it exists is indisputable. Furthermore, it is likely that, without adequate attention from the international community, corruption at the local level will only increase as municipalities gain more control over budget decisions and as international oversight diminishes. Programs that effectively increase and institutionalise transparency and accountability at the municipal level will both expose and minimize opportunities for corruption.

Because the nature of any problems associated with transparency, accountability and corruption have direct impact on citizens and local communities alike, and because citizen participation and oversight is essential to ensure transparency and accountability,

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<sup>60</sup> For example, see *Assessment of the Financial Management Capacity of the Municipality of Prizren* (and of other municipalities) conducted by Deloitte and Touche in September 2002.

it will be critical to the success of programming that the non-governmental and civil society sectors are involved.

Consideration should be given by USAID to conducting a study on corruption in Kosovo at the local level, with the aim of promoting the values of good governance. Some thoughts on this are attached as **Appendix XIV**.

*(3) Local Economic Development*

Economic growth is critical to development and stability overall, as well as to future quality of life standards in Kosovo, which currently suffers from high levels of unemployment, low levels of production of goods and services, and lack of private investment. Public services are generally of low quality and/or are inefficiently delivered. No other factor can contribute so substantially to poverty alleviation as genuine economic development.

The relationship of business to municipal government is key to local economic development. Many private sector investment decisions are made at the local level and are based on local factors and considerations. Municipal practices, policies and investments are important inputs to the local economic development process and to the success of local businesses and industry, and municipalities can in fact enable and regulate economic development through facilitating the economic development process, strategic resource coordination and business promotion, while the private sector creates business, jobs and investment. The extent of economic development and private investment are influenced by local factors such as the level of public infrastructure development, the quality and availability of local public services that is available, the efficiency of administrative services that exist at the local level and the assistance that local officials are willing and able to provide. Municipalities regulate and license businesses, provide public infrastructure (e.g., local roads and transport) and services needed by business, regulate land usage, license construction, regulate the building process and control standards, and manage municipal buildings and land that can be used for private sector investment and development. Their role in carrying out these responsibilities can be positive or negative. Their actions can encourage economic development or create barriers and disincentives to private investment and initiative.

It would appear that the status and extent of local economic development is not known with any precision. That is, what exists which might be characterized as being or contributing to local economic development? To what extent is it or is it not already supported by local or other forms of government? To what extent is it independently supported, perhaps by the diaspora? What deficiencies in support can be identified now? USAID may wish to consider a study which would look into these and other questions, and provide a baseline against which programs could be designed and implemented, and progress could be measured and evaluated.

In Kosovo the municipalities are currently largely reactive at the best, and in many cases are patently non-responsive and non-supportive to the needs of the private sector. They lack the skills, vision and capability to play a more positive leadership role in encouraging or supporting economic development, for at least these reasons:

- They lack the financial resources and management capability to improve infrastructure systems and effectively regulate the business environment;

- They have limited control over the delivery and improvement of public services. Services such as water, wastewater, sewerage and solid waste collection are provided by POEs which are now regulated and administered by the KTA;
- They lack the information, vision, management capability and technical skills to analyze local economic issues and establish a business-friendly environment, or to provide support or assistance to private enterprise.

Helping municipalities to become more effective partners in the economic development process will involve education, training, and changes in local government attitudes and approaches. It will require clarifying the roles and responsibilities of UNMIK, the central government and local governments for delivering public services. These services have to be improved and made more cost effective. Contracting out and privatising service delivery and improving management oversight of service delivery by municipalities may be one approach to improve local public service delivery. Municipalities may have to reorganize and streamline administrative and regulatory systems. It will be critical for them to reach out to the business community and other stakeholders such as citizen organizations, and to develop better systems for planning and implementing programs in support of business development. Additional local resources will have to be raised to improve infrastructure systems and to provide financial incentives for investment. Programming in this area should include consultations with the business sector as well as government in order to help develop a common culture of partnership.

There are some positive developments. Local officials are beginning to be exposed to new ideas and approaches. Networks of public service providers are being reorganized and some management improvements seen. Consideration is being given to privatising the provision of public services. Local revenues are increasing, and with the introduction of a property tax, municipalities may have access to substantial new revenues that can be used for economic development purposes.

#### *(4) Reconciliation and Ethnic Relations*

No government can be considered to begin to approach western standards of responsiveness, accountability and effectiveness unless it treats all citizens equitably.<sup>61</sup> This is particularly true in a society which is still profoundly marked by ethnic conflict and hatred. In addition, local government in Kosovo will always have a critical role to play in promoting ethnic tolerance and at least the peaceful co-existence of ethnic communities, if not outright reconciliation.<sup>62</sup> This is because it is in the municipalities that the minorities, including Kosovo Serbs, live with the majority community, the Kosovo Albanians, and it is to the municipalities that those who are displaced will return, if they return. If we accept the common wisdom that returns, tolerance and peaceful co-existence cannot occur without being embraced by the majority community, then it is to the governments of the municipalities that we must look for frontline leadership on this question.

The acid test of non-discrimination in the provision of services is objectivity: all services are provided, all applications are considered, on the basis of published criteria and

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<sup>61</sup> We say equitably rather than equally as differences between people may require different treatment in order to have equal access to services. For instance, people with physical disabilities may need access ramps to buildings.

<sup>62</sup> It appears unlikely that for the foreseeable future there would be any appetite for true reconciliation in Kosovo, in the sense of understanding and forgiveness, on the part of any ethnic community.

according to a transparent process. Equitable treatment requires that some differences compel different treatment, but again, only on an objective and publicly justifiable basis. This is a very difficult line to walk even in mature democracies, and almost impossible at this time in Kosovo, but the ability to develop this skill is without question there. This, then, is a nexus which could become a focal point for programming in each of the three previously-discussed areas, both as an outright training topic and as an incentive (willingness in this area could be a criteria for acceptance into the grants program).

The lead role on returns *per se* in the international community is in the Office of the SRSG, specifically with the Office of Returns and Communities (ORC). In order for returns to succeed, however, they must occur in an environment which is prepared to deal with the consequences of returns, as well as the reality of minority communities already living in the municipalities. The USAID strategy of focusing in one part on improving the effectiveness of local governance would be an ideal vehicle for such a role.

This is an area of work which is likely to involve many donors and organizations. Not only coordination but pro-active collaboration with all other involved agencies will be fundamental, including ORC, the OSCE, other major donors, and the host of smaller NGOs who have now had experience with reconciliation projects throughout Kosovo for several years.

It is the view of the Team that this topic, as with other cross-cutting themes such as gender and youth, should not be the subject of separate focuses of work, but should be incorporated into the programming areas that we have set out as issues that cut across all aspects of life and work in Kosovo.

#### **VIII. USAID's Comparative Advantage**

USAID has a comparative advantage over other donors in local government reform. It has provided such assistance throughout the world since the early sixties, in former Communist, including South-Eastern European, countries in more recent years, and is currently the leading donor in this area in all territories bordering Kosovo. A number of ready-to-use training modules, manuals for improving service delivery, and material on local government issues, best practices, etc., exist already, allowing for rapid development of a program. Further, and of critical importance, no other agency or organisation appears to be poised to take up this matter in a serious and substantive way, although of course this situation could change in 2003.

USAID has a track record of providing interactive problem-solving professional training for local government, including professional associations and municipal associations which can then act themselves as trainers. USAID also has extensive experience in providing local development assistance in countries throughout the E&E region, including training and networking events in countries of South-Eastern Europe. It has identified best practices and model approaches across the region and has formed international learning partnerships among municipalities. Examples of such programs are voluminous. Bringing this enormous experience to Kosovo in a focused and intensive way could potentially bring clear results within several years.

The United States, and accordingly USAID, occupies a special position in Kosovo, at least for the Albanian people, due to its leading role in the bombing campaign and the entry of NATO in June 1999. At the same time, since the summer of 1999, the Serbian people of Kosovo have developed a great respect for the American presence, although

they might not say so publicly. The bottom line is that USAID enjoys a position of the highest credibility in Kosovo, virtually unmatched by any other donor organisation or support provider (save probably for the OSCE, due to its pre-conflict Kosovo Verification Mission in 1998/99). This is not, of course, to say that the role of European agencies is not critical, as Kosovo's future is clearly eventual integration into European structures, (thus underscoring once again the importance of coordination and collaboration). At this time, however, there are clear needs which USAID can clearly meet.

## CONCLUSIONS

Kosovo is at a pivotal moment. Many pressures, both political and otherwise, require concrete and visible progress within the next several years, not the least of which is the needs of the citizens for improved and more transparent governance, and for economic development. Local government is key here, and the opportunity presents itself for significant institution- and capacity-building work over the next four years.

The over-arching, compelling need is for Kosovo to demonstrate to its people and to the world that it can achieve effective, accountable and responsive governance, based firmly on a strong and institutionalized architecture of de-centralized power.

USAID, with its experience in local governance, and its particular place within Kosovo, should focus resources in two areas:

- support for the structural reform or devolution of power initiative which has become a focus of attention in the last half year. Support for this can be focused through organizations representing the interests of local government, with the corollary goal of strengthening them as key facilitators and catalysts for long-term and sustainable change in the particular area of de-centralization; and
- improving the effectiveness of local governance, in particular in the areas of municipal management, transparency, accountability and anti-corruption, and support for local economic development, with appropriate emphasis on all cross-cutting issues, such as ethnic relations, gender and youth. The program should target a limited number of municipalities, through an open and possibly competitive process, for practical training and for a USAID incentive-based grants program, in order to leverage results.<sup>63</sup>

These areas of work are active in Kosovo as this report is being written. Should USAID wish to intervene in the structural reform process, it should give very serious consideration to doing so now. In a year, even in several months, critical decisions will already have been made. With respect to the effectiveness campaign, USAID/Kosovo's already very close relationship with other organizations, both international and local, will allow it to engage at a more leisurely pace throughout 2003, but as the field becomes occupied by other service providers (many of whom see this year as the opening of a new stage in institution-building in the municipalities) the need for flexible response, and re-design and re-adjustment of programs, may be necessary.

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<sup>63</sup> As stated above, the grants program as contemplated would be a USAID grants program – funded and administered by USAID, and completely separate and apart from grants to the municipalities through the KCB.

## APPENDIX I

### DETAILED RECOMMENDATIONS IN SUPPORT OF PROGRAM DESIGN

In determining program design for 2004-2009, USAID Kosovo should focus on the following areas in order to strengthen local governance:

#### **A. Strengthening the Legal and Institutional Framework of Local Governance**

The Team's recommendations to USAID in this area can be seen in two broad areas: assistance to Kosovo decision-makers, and co-ordination and collaboration of and with other donor activities in this sphere.

Support for local decision-makers could be through the form of an advisory group or task force, for example an advisory group established by the Association of Kosovo Municipalities with the assistance of USAID. The counterpart in the PISGs would be the Assembly of Kosovo, which will presumably form a committee once the local government reform issue becomes tangible. The advisory group or task force would serve to advise the committee within the Kosovo Assembly on matters of local government reform and could have representatives from:

- The Association of Kosovo Municipalities;
- Technical specialists from ministries;
- The Faculty for Political Science at Pristina University; and
- The donor community, as ex-officio members.

USAID could provide technical expertise and limited logistical support to the advisory group on an as-needed basis. For example, when the issue is user charges for a municipally provided service, an expert could be brought in to advise the task force. Other areas USAID could assist the task force with are:

- Policy research, analysis and dialogue;
- Technical studies (e.g., analysing draft legislation to assure that it is compatible with existing law);
- Translation of relevant material into Albanian for comparative purposes, or the translation of Albanian documents into English so that it can be analysed by USAID consultants.

The notion is that local government reform is a process that needs to be locally owned. The advisory task force, with some assistance from USAID, will allow them to develop their own ideas of local government reform. It will help inform the dialogue on local government reform, not only within the Kosovar Assembly, but also between the Assembly and the UN.

By forming what will easily become the most informed body on local government reform in Kosovo, the task force will by default become the clearinghouse for other local government reform efforts by other donors. Co-ordination and collaboration are important because to date, donor assistance in this area has been at best a scattergun, overlapping and gapping approach.

As described earlier in this section, inadequate measures are currently being undertaken by the SRSG at the time of this writing. The CoE is sending exploratory missions, which might lead to a small local government reform effort by the CoE, and concept papers are being drafted without input from the local level. The time to start engaging the PISG is very soon approaching. Failure to engage now may mean that more inadequate legislation is drafted,

such as 2000/45, further complicating and confusing matters. The Team recommends that even if a full-scale local government program cannot be launched in 2003 with the other recommended components, a local government legislative reform component could be launched in 2003, with the phase-in later on of the other recommended components as funding and programming allows.

### **B. Improving the Effectiveness of Local Governance**

As described above, the Team recommends that a USAID program to improve the effectiveness of local governance should focus on four areas: (1) municipal leadership & management, (2) transparency & accountability, (3) promoting local economic development, and (4) reconciliation and ethnic relations. This section outlines some general recommendations for program strategies and assistance activities that are relevant to all four focus areas, followed by specific recommendations for each focus area.

#### **General Program Design and Strategy**

Based on its findings and assessment of the effectiveness of existing donor assistance programs, the Team recommends that any USAID program to strengthen local governance be guided by the following three core implementation elements:

- Employ practical, intensive, on-the-job training methodology. Many donors already conduct training, but a universal criticism of most of the training to date is that it is not being applied because it is not being followed-up with on-the-job training. Because training will need to be an important part of an assistance program, the Team strongly recommends that the program emphasize practical, on-the-job and results-oriented training with intensive on-site follow-up by trainers with specific expertise.
- Utilize incentive-based development grants. The Team concluded that implementation and adoption of new procedures, practices, and reforms by municipal governments will be significantly enhanced if the local governance program includes a mechanism for strategically targeted financial incentives. Unlike an infrastructure or community development fund, a pool of funds would be made available to the USAID implementing partner to offer grants for the purpose of achieving core program objectives of the strengthening local governance program. In other words, the grants component would not be an end in itself, but a means to leverage results in municipal management, transparency, and local economic development. The grants might be applied to hard infrastructure projects, but might just as likely be used for other purposes. The grants would be in response to locally-identified priorities, but the decision to award grants would be at the discretion of the implementing partner for the purpose of encouraging results, such as improved procurement procedures, increased citizen outreach, or taking measures to promote small business development.
- Target assistance in a limited number municipalities. To concentrate resources and increase impact, the Team recommends that an local governance strengthening program select a limited number of municipalities in which to target assistance. Although some technical assistance, such as that recommended for the decentralization initiative, will need to be Kosovo-wide, the Team recommends concentrating resources in 5 – 10 municipalities (depending on available resources), with resident advisors and/or expert consultants who would spend extended periods working with municipal officials in the target municipalities. To set a model of transparency in an environment of cynicism about some donor funding, the Team recommends an open selection process with at least some degree of competition. Selection criteria should be made available to all municipalities that wish to apply, and might include: demonstrated initiative to implement reforms and procedures that promote transparency and citizen participation; demonstrated efforts to address ethnic issues including returns; potential for promoting local economic development; etc.



The criteria could be designed to select municipalities with strengths in all areas, or select one or two municipalities for each criterion. Eventually, the program should address the dissemination of models and lessons learned which can serve as best practices for all municipalities.

### **Specific Ways of Improving Municipal Leadership and Management**

In addition to the general recommendations above, there are other tools, techniques and programmatic strategies to improve municipal management capacity:

- Provide hands-on technical assistance to managers (e.g., mayors, CEOs, Directors, key staff) to improve their management skills and improve public service delivery. Assistance may include on-the-job training, as well as workshops and seminars. As described above, USAID assistance should emphasize focused, on-the-job training in the target municipalities, but some training may be envisaged for managers from all municipalities, e.g., training in urban planning for all 30 CEOs, which would then be followed-up with more intense training in the target municipalities.
- Help define and clarify roles and responsibilities. Similar to the activities described in the recommendations for decentralization, the program should help define and clarify the vague and sometimes contradictory roles and responsibilities of various local government entities, including municipal assemblies, municipal executive administration, public utilities, and UNMIK.
- Encourage the development of professional associations. The Team recommends working closely with the Association of Kosovo Municipalities (AKM) and supporting its evolution. It may also be appropriate to encourage the development of other professional associations, such as for CEOs or Financial Managers.
- Consider exchanges, study tours, and twinning. A lower priority given the higher costs associated with such programs, but the local governance program should not rule out networking conferences and exchanges; study tours within the region and to the US; and twinning partnerships between Kosovo municipalities and counterparts in other countries. Such activities can tax program resources, but have been proven to be extremely beneficial in other countries in the region.
- Disseminate written materials such as case studies and descriptions of best practices.

There are several critical points to be made. The first is that the work of USAID has to fit into an overall scheme which takes account of that which is being done by other international and local agencies. That is, coordination of all related programs, both in planning and in implementation, is essential. The second is that the management of the municipalities overall is going to be driven by the de-centralization initiative, if that indeed is to go ahead, and therefore it is an essential pre-condition of effective municipal management that the municipalities be supported as assertive and effective partners in that process.

Significant USAID resources exist in south-eastern Europe with which to support municipal government. These can be mobilized in Kosovo. In addition, unique opportunities exist in Kosovo itself within the municipalities. For instance, the revenues which the municipalities will enjoy in the years to come are luxurious as compared to those in countries of central and eastern Europe at similar stages of development.

### **Specific Ways of Increasing Transparency, Accountability and Anti-corruption**

There are many ways for USAID assistance to increase transparency and accountability at the municipal level, including activities currently in the USAID/Kosovo portfolio.

- Design, clarify, and implement rules of procedure, audit practices, and oversight processes. In conjunction with UNMIK and Kosovo audit bodies, identify shortcomings in oversight procedures and work closely with municipalities on improving implementation.

- Use incentive-based grants to leverage results. The local governance strengthening program should utilize an incentive-based grants program as a “carrot” to achieve results in promoting transparency and accountability. Not surprisingly, political will for greater transparency is often lacking, and entrenched interests can pose a formidable obstacle to change. Training and technical assistance, therefore, need to be supplemented by real incentives for reform.
- Increase media coverage of municipal governance. Consider ways to increase media coverage through training for media professionals, grants for special reporting, and media outreach by municipal information officers. Some or all of this work may be achieved through the existing grant with IREX ProMedia
- Improve citizen oversight mechanisms. Improve the ability of citizens and CSOs to effectively engage and monitor municipal governments. Existing USAID-funded projects, such as KNAP and NDI, are implementing these kinds of activities, but there may be gaps to fill, and consideration should be given as to how to complement objectives of a new local governance program.
- Increase citizen access to municipal governments and public information. Build the capacity of municipal governments to disseminate information and increase citizen outreach. Activities might help municipal governments establish “help desks,” produce news bulletins, publicize budgets, improve media outreach, etc.
- Increase citizen participation and consultation mechanisms. Promote procedures that allow citizens to provide input before decisions are made about resource allocation.
- Increase professionalism. Training for elected and appointed municipal officials should address the proper role of local government in a democracy, and promote the culture of government as public service.
- Improve constituent relations. Demonstrate to elected officials and their constituents the responsibility of public servants to communicate with and respond to the electorate.
- Ensure that infrastructure projects emphasize citizen participation. Requiring citizen participation not only increases transparency in each USAID infrastructure project, but it also establishes a model which demonstrates to municipal officials how democratic governance is practised, and gives citizens confidence to demand participation in the future.

### **Specific Ways to Improve Capacity to Support Local Economic Development**

There are many tools, techniques and programmatic strategies that USAID can employ to improve the environment for local economic development. Specifically:

Local and regional conferences, workshops and seminars and visits to other municipalities in the region can be used to make local government officials more aware and informed about how they can create a more business friendly environment and what tools and techniques municipalities can employ to support local economic development. There are a variety of written materials (best practices materials, training curricula, administrative manuals on the role of municipalities in local economic development can be readily adapted and translated for use in Kosovo).

Training and technical assistance could be provided to help municipalities develop and implement economic development strategies (e.g., training in strategic and capital planning and analysis or how to develop public private partnerships) and specific projects related to economic development (e.g., how to go about making municipal owned land and buildings available to private investors; developing partnerships with the business community to promote investment and improving infrastructure and public services).

Technical assistance could be provided to help local governments improve administrative systems and policies to promote local economic development (e.g., improving permitting systems, reorganizing functions related to economic development or setting up one-stop assistance centers for private investors).

Donor and municipality-generated funds could be earmarked for projects that further local economic development or financial incentives could be provided by the central government or donors to municipalities that undertake to improve the environment for local economic development.

#### **Specific Ways to Promote Reconciliation and Improve Ethnic Relations**

A USAID local governance program can help improve reconciliation and ethnic relations through technical assistance consistent with all of the above program component priorities.

- Facilitate efforts to improve ethnic relations and promote reintegration. For example, facilitate “go and see” visits, information exchanges between municipal officials and IDPs, and other actions of outreach to minorities.
- Assist municipalities and IDPs/returnees to identify obstacles to returns or reintegration. Then provide technical advice and/or help find resources to address those obstacles.
- Assist municipal governments in overcoming multi-ethnic barriers to efficient governance. For example, help devise and fund solutions to problems such as maintaining public documents in two or more languages, providing sufficient and professional translators and translations, conducting meetings in two languages, and handling ethnic tension in the workplace.
- Provide infrastructure funds. Provide funds to improve infrastructure that benefits minority communities.
- Assist municipalities in meeting UNMIK’s fair share budget criteria.
- Assist municipalities in improving the effectiveness of Mediation Committees. For example, provide training in mediation skills for members tasked under UNMIK regulations with resolving ethnic disputes.
- Promote municipality involvement in Municipal Working Groups (MWGs). In coordination with UNMIK ORC, support MWG initiatives and provide technical assistance as necessary.

## APPENDIX II

### Scope of Work

#### Limited Scope Assessment of Local Governance in Kosovo Recommendations for USAID/Kosovo Strategic Plan

##### Background

The USAID/Kosovo Mission has been providing assistance to Kosovo since 1999. The Mission is currently operating under a three-year transition strategy that will end in September 2003. Under this strategy the Mission has had three major strategic objectives:

- Establishment of an Economic Policy and Institutional Framework that Facilitates the Recovery and Expansion of a Private Sector-Led Economy
- Accountable and Transparent Governance
- Restored Normalcy in Living Standards & Opportunities

A new Mission strategy is currently being developed. It will be submitted to AID/Washington in June 2003 and will cover a five-year period from October 2003-September 2008. Substantial progress has been made over the last three years of USAID assistance, and under the proposed strategy the character of US assistance will likely shift from one of relief/reconstruction and development of a legal and policy framework to more targeted development efforts and institution building.

In October 2002, the Mission sponsored a one-week conference attended by wide audience of partners. Working groups identified seven potential strategic objectives that distilled into three major areas of which “municipal governance” is one. Although the Mission is not bound to adhere to strategic objectives identified, it is clear that the role of the local government is a key aspect of development that must be considered in the development of a new strategic plan and its associated programs of assistance. For the purposes of this assessment, local government is defined as all government structures (i.e., municipal government) and quasi-government structures (i.e., village councils). It is recognized that the majority of the work under this assessment will focus on the role of government at the municipal level, the role played by such organizations as village councils should not be overlooked.

The purpose of this assessment is to provide specific guidance and recommendations that will inform the new strategy as to possible directions and priorities for providing assistance at the municipal/local level.

##### Current Mission Initiatives

The Mission currently supports the following activities that relate to development at the municipal level.

Activity Name: Community Infrastructure and Services Program (implementing by Parsons, in collaboration with the Kosovo Transition Initiative implemented by IOM)

The USAID Community Infrastructure and Services Program (CISP) provides support for infrastructure rehabilitation, conflict related damage or neglect. The municipalities and communities prioritize rehabilitation projects that will re-establish conditions favorable for economic and social development.

Community participation and “buy-in” in the infrastructure projects, as well as commitments for ongoing maintenance and operations, are mandatory. All projects carry the requirement to develop “business plans” – an exercise that compels the community to consider management, budget, customer service, cost recovery issues, and the steps necessary to balance them. The program helps develop administrative and managerial skills in communities, municipalities, and distribution utilities to help Kosovans effectively exercise the objectives of self-determination and self-reliance.

The rehabilitation activities are implemented through competitively selected local contractors, providing both temporary and permanent local employment opportunities. Projects completed include: electricity and water distribution system upgrades, feeder roads, bridges, schools, health facilities, and to a lesser extent, community centers, libraries, and sports facilities. The rehabilitation efforts result in tangible improvements in levels of service for the communities and to restored conditions for normalcy.

**Activity Name : Kosovo Assistance Program (implemented by Save the Children)**

The USAID Kosovo Assistance Program (KAP) supports Kosovo’s transition to a democratic society and free market economy. KAP is managed by an umbrella grant manager (Save the Children) to support grassroots social and economic recovery initiatives. There is currently a portfolio of 14 sub-grants implemented by American, European and Kosovar NGOs.

One program component supports projects that employ a “community initiative” approach with the active participation of citizens, local government, and Kosovo civic groups in project design and implementation. Three activities under this component (implemented by IRC, OXFAM and MCI) address key gaps in social services and public infrastructure.

Activity Name: Sustainable Economic Policy and Institutional Reform Support Program for Kosovo (implemented by Barents)

USAID’s medium-term economic restructuring support strategy for Kosovo is based upon four fundamental precepts:

- 1) a sound macroeconomic policy framework and administrative system must be developed and implemented;
- 2) privatization must be addressed to ensure that existing capital and organizational resources are utilized in a manner that contributes maximally to economic recovery and expansion;
- 3) a market-friendly commercial law regime and effective institutional framework for the protection of property rights and appropriate adjudication of market disputes must be developed and implemented, and
- 4) the entrepreneurial capacity of the private sector needs to be harnessed, and the institutional constraints that limit its ability to respond to an improved economic policy environment and stable macroeconomic conditions need to be addressed.

The core objective of this program is to support UNMIK, the major multilateral donors working with UNMIK, and local Kosovar officials of the Provisional Institutions of Self-Government of Kosovo to (1) fully implement and institutionalize a core set of prioritized macroeconomic and structural reform measures necessary to maintain a stable macroeconomic environment and (2) promote the effective and sustainable planning, financing, and the provision of key public services. This work builds upon prior efforts to develop key economic management institutions whose operation has facilitated initial formation and implementation of sound economic management policies. Operation of these

institutions has created a propitious environment for full implementation of more durable longer-term policy and institutional reforms, which will help place the Kosovar economy on a stable medium-term growth trajectory and a strong economic governance footing.

**Activity Name: Political Party Development and Civic Organizing (implemented by NDI)**

The NDI program supports the development of a more representative and competitive political system based on democratic principles of transparency and accountability. Activities include training for political parties to develop internal decision-making and planning structure that are transparent and include key political constituencies, particularly youth and women. Technical assistance is also provided to the Assembly of Kosovo to help members develop the capacity to introduce, debate, and adopt legislation creating a legal framework for government accountability, transparency, and oversight of the executive. Experts also work to support the Presidency and relevant committees in this process. This technical assistance is provided under the auspices of the Assembly Support Initiative, a multi-donor effort coordinated by the OSCE Department of Democratization.

The NDI Civic Form helps citizens to identify specific community issues and advocate for change to decision-makers at the provincial or municipal levels. This is achieved by providing citizens' groups in each region of the Province with the training and advocacy tools needed to actively engage elected representatives and public officials. Finally, NDI's election and political process monitoring program has provided assistance in the creation of a domestic, nonpartisan election monitoring capacity spear-headed by the Council for the Defense of Human Rights and Freedoms, and is now engaged in facilitating the development of a sustainable municipal government monitoring program in collaboration with its NGO network.

**Activity Name: Kosovo NGO Advocacy Program – KNAP (implemented by East West Management)**

**Activity Name: Kosovo Independent Media (implemented by IREX)**

**Purpose of Assessment**

The purpose of this assessment is to provide specific guidance and recommendations to USAID/Kosovo for the development of a new Mission Strategic Objective to strengthen municipal (local) governance during the Strategic Plan Period 2003-2008. The guidance and recommendations will be based on the team's assessment of four major aspects of local governance development in Kosovo: the legal and policy framework, municipal administration, local institutional capacity, and citizen participation.

There are assumptions that the team needs to examine and either support or refute based on the assessment. The first assumption is that legal, political, and social developments in Kosovo have reached the stage at which a concentrated municipal (local) focus for USAID is a logical next step in our assistance and will have a substantial impact. Secondly, that USAID can identify appropriate programmatic areas in which it has a comparative advantage as a donor and which are complementary to other donor programs. Thirdly, that such programs can be designed and effective even in the absence of a decision on the final status for Kosovo.

**Detailed Statement of Work**

- A. Review completed, ongoing and planned donor-financed programs implemented at the local and municipal levels. It is anticipated that this can be accomplished expeditiously

through existing documents (see Attachment 1) and through interviews with USAID/Kosovo staff, representatives of contractors and grantees, other major donors, UNMIK officials at the provincial and municipal levels, and selected Kosovar officials at the central, municipal and village levels.

- B. Review and assess Kosovo's overall progress and current status in the local governance context including, but not necessarily limited to, the following four areas.
1. Policy and Legal Framework
    - Review laws, policies and regulations in place, in process and those yet required related to decentralization measures and fiscal authorities. Specific attention should be focused on UNMIK Regulation 2000/45, *On Self-Government of Municipalities in Kosovo*, dated August 11, 2000.
    - Review respective roles/responsibilities of central authorities, UNMIK, and municipal authorities to determine appropriateness and to recommend any redistribution of responsibilities and an approximate timeframe.
  2. Municipal Administration
    - Review policies and procedures in place, in the process of development, and those yet required to assure responsible fiscal management, effective routine administration, and an installed capacity for infrastructure planning and management
    - Examine and evaluate the effectiveness of any existing channels through which municipal and local authorities elicit citizen views, opinions and recommendations on public policy matters.
  3. Local Institutional Capacity
    - Review the roles and responsibilities of the following institutions to ascertain the current level of maturity, and to identify any additional institutional development measures required:
      - Municipal Councils
      - Municipal CEO and Directorates
      - Local level political party organizations
      - Regional Administrators
      - Association of Kosovo Municipalities
      - Village Councils
    - Review the draft decentralization plan developed by UNMIK (SRSG Michael Steiner). (UNMIK will field a team November 27-28 to develop more fully this plan.) What are the goals and timeframe for this plan and how will it be implemented? Assess the local capacity to carry out the plan.
    - Identify other local level institutions that are lacking in the Kosovo context (or that exist but require nurturing and assistance) and could make local governance more effective and efficient.
  4. Citizen Participation
    - Examine municipal and local level advocacy groups and service NGOs to identify which are effective (and why) in encouraging more active citizen participation. Are there specific examples where a good city-citizen partnership exists?
    - Assess the extent to which minority participation and benefits are being provided through governmental and non-governmental organizations.
    - Identify any additional measures required to encourage participation in the political and electoral process.
- C. During the conduct of the assessment:

1. Define any specific areas or issues that could evolve as serious impediments to development of good governance at the municipal and local levels in Kosovo during the Strategy Plan Period.
  2. Highlight any particularly effective other donor assistance that the team recommends USAID/Kosovo should encourage, complement, or expand upon.
  3. To the extent that the team is able to make valid observations and recommendations, the team's review and recommendations should include cross-cutting themes of gender, youth, disenfranchised groups and poverty alleviation.
  4. Consider whether assistance, or discrete components of assistance, might be provided for all municipalities or a subset of municipalities (e.g., geographic focus, concentrating on areas where good partnerships already exist). Suggest criteria that might be used.
  5. Formulate a Strategic Objective statement that captures the assessment team's findings and recommendations. In light of a reduced annual budget, priority areas for USAID/Kosovo assistance during the strategic plan period, giving shape to a potential program of assistance. Identify any additional analyses and/or assessment required to confirm or refine the team's recommendations.
- D. Formulate an appropriate Strategic Objective statement that captures the assessment team's findings and recommendations. In light of a reduced annual budget, prioritize areas for USAID/Kosovo assistance during the Strategic Plan period 2003-2008. Briefly outline scopes of work for any additional analyses and/or assessments required to confirm or refine the team's recommendations.

### **Deliverables**

- A. An Outline (Table of Contents) of the report is to be submitted within three working days after arrival in Kosovo.
- B. A preliminary draft shall be submitted to the Mission before the team leaves Kosovo.
- C. The final report, of not more than 30 pages in length, is due to USAID/Kosovo within 30 days. The final report should contain an Executive Summary and should clearly identify the team's findings, conclusions, and recommendations. Appendices should, at a minimum, list the people and organizations interviewed.

### **Other**

#### A. Team Composition and Roles

The team will be composed of four expatriates and three local Kosovar staff. The team leader has the ultimate responsibility for overall team coordination and development of the final report. The Team Leader is also responsible for ensuring that team members adequately understand their roles and responsibility and for assigning individual data/information collection and reporting responsibilities. Each team member has been assigned preliminary roles according to the task areas outlined in IV.B. above. It is assumed that two teams will be formed to conduct the site visits in order that a greater number of municipalities can be visited.

Team Leader: Carolyn McCool (consultant)

Team Members: David Black (USAID/W)



Mike Keshisian (USAID/W)  
Robert Dubinsky (consultant)  
Haki Abazi (KTI)

Municipal Administration – Robert Dubinsky (primary); Mike Keshishian (secondary)

Local Institutional Capacity – Carolyn McCool (primary); Haki Abazi (secondary)

Citizen Participation – David Black (primary); Mike Keshishian (secondary)

In addition, two USAID/Kosovo staff members from the Program Office, Pranvera Recica and Urim Ahmeti, are available to work with the team for the full two weeks of the assessment and may be assigned roles and responsibilities at the discretion of the Team Leader. A Business Development Specialist from AID/W will be in Kosovo during the second week of the field work. He will be looking at business development opportunities at the local level. He will look at any specific aspects of local economic development that the team deems important.

B. Relationship to USAID/Kosovo Staff

- The Assessment Team Leader reports to Judy Schumacher, Program Officer, USAID/Kosovo.
- Sector assistance and participation (as requested) are available from Mike Michener (Democracy), Mike Maturo and Robert Wilson (Community Development), and Paul Davis (Policy Framework and Fiscal Reform.)

C. Logistical Support

USAID/Kosovo will provide in kind the following logistical support for the team:

- Office and meeting room space
- Office supplies for use in Kosovo
- Access to computers and phones
- Vehicles for use in Pristina and in the municipalities
- Transport to and from the airport in Kosovo
- Translation services
- TDY apartment/accommodations

D. Performance Period

The team members will initiate work in Kosovo on/about December 1, 2002. It is expected that the entire team will remain in Kosovo until on/about December 16, 2002. Additional work days are anticipated in order to complete the final report, which is due o/a January 16, 2003.

### Appendix III

## Organizations and Individuals Consulted

### USAID and USAID IMPLEMENTING PARTNERS

#### USAID/Kosovo

Dale Pfeiffer - Mission Director  
Earl Gast - Deputy Mission Director  
Judith Schumacher - Program Office Director  
Paul Davis - Economic Office Director  
Katherine Nichols - Democracy Officer  
Robert Wilson - Community Development Office Director

#### Kosovo Business Support (KBS) Project

Debra Wahlberg

#### Kosovo Transition Initiative (KTI)

Stephanie Burth-Levetto  
Shpend Dobroschi  
Luan Gota

### INTERNATIONAL AND DONOR ORGANIZATIONS

#### Council of Europe

Karen Walkner

#### Central Fiscal Authority

Sally Powers  
Matthew Smith

#### Department for International Development (DFID)

Craig Davies - Head of DFID

#### European Agency for Reconstruction (EAR)

Sofia Carrondo

#### OSCE

Max Seelhofer - OSCE Head of Mission in Peja  
Suzane M. Sullivan - Democratization Officer of OSCE Peja Regional Office  
Brian Jupp - OSCE Head in Gjilan  
Sarah Hilding - Senior Democratization Officer  
Dimitry Manjavizde - OSCE Head of OSCE in Prizren  
Jorg Hinrichs-Lahmann - Democratization Officer in Prizren  
Zurab Lomashvili - Head of OSCE in South Mitrovica  
Margaret Matich - OSCE Head of Democracy Office

Anti Hajkio and Elita Vokshi - OSCE Pristina  
Nikolay Neklashijevich - OSCE Head of Office in Leposavic  
Horst Danken - OSCE Shterpce  
Oliver R. McCoy - OSCE Democratization Officer Shterpce  
Arian Dragaqina - OSCE Democratization Officer in Lipjan  
Sylvia Eckert - OSCE Democratization Officer in Kamenica

Ministry of Public Services

Peter Schumann - Principal International Officer

United Nations

Robert Piper - Director of UNDP  
Nenad Radosavljevic  
Minna Jerveppa - SRSG office  
Ian King - UN Pillar 4  
Vladimir Anokhin - UN Civil Affairs Officers, Regional Office Gjilan

World Bank

Sidi Boubacar – Resident Representative

**MUNICIPAL OFFICIALS**

Municipal Officials - Gjakove

Malush Tullumi - Chief Executive Officer  
Zeqirja Haxhikadrija - Head of Economic Chamber sub branch Gjakove  
Masar Kusari - Vice president of Economic Chamber Gjakove

Municipal Officials - Gjilan

Lutfi Haziri - President of Municipal Assembly  
Xhemajl Hyseni - Vice President of Municipal Assembly  
Enver Muja - Chief Executive Officer  
Fadil Osmani - Municipal Project Officer

Municipal Officials - Kamenica

Shaip Surdulli - President of Municipal Assembly  
Nexhmije Kallaba - Vice president of Municipal Assembly  
Islam Thaqi - Chief Executive Officer  
Steffen Felbrich - UNMIK Deputy Municipal Administrator

Municipal Officials - Leposavic

Velimir Bojovic - President of Municipal Assembly  
Nebojsa Radulovic - Vice president of Municipal Assembly  
Vukadin Sekulic - Chief Executive Officer  
Beisiegel Detlef - UNMIK Deputy Administrator

Municipal Officials - Lipjan

Xhevat Olluri - President of Municipal Assembly

Halit Gashi - Chief Executive Officer  
Cecilia Piazza - UNMIK Administrator

Municipal Officials - Mitrovica

Faruk Spahija - President of Municipal Assembly  
Mustafe Pllana - Chief Executive Officer  
Yogedra Tripathi - Deputy Administrator of UNMIK Mitrovica  
Besim Kurti - Director of Finance and Economy Department  
Shyqri Kelmendi - Assembly member and director of Trepca Mines  
Besim Kurti - Director of Finance and Economy department

Municipal Officials - Obiliq

Ismet Hashani - President of Municipal Assembly  
Hajriz Bekteshi - Vice president of Municipal Assembly  
Drita Hasani - Chief Executive Officer  
Mesfin Teklu - UNMIK - Finance, Project and Local Community Officer

Municipal Officials - Peja

Denny Lane - UNMIK Municipal Administrator  
Ali Lajqi - President of Municipal Assembly  
Ramiz Zeka - Chief Executive Officer  
Ali Dresha - Public Utility Department Director  
Musa Rexha - Director of Budget and Finance

Municipal Officials-Prizren

Julian Bibeau - UNMIK Deputy Administrator  
Eqrem Kryeziu - President of Municipal Assembly  
Ricardo Rodriguez - Local Community Officer  
Bedrija Ejupagic - Local Community Officer for Minorities  
Ibrahim Murad - Civil Affairs Officer  
Kewal K. Shamra - Municipality Coordinator

Municipal Officials - Shterpce

Sladjan Ilic - President of Municipal Assembly  
Slavisa Staletovic - Vice President of Municipal Assembly  
Hazir Ahmeti - Chief Executive Officer  
Michael Gozdzik - UNMIK Civil Affairs Officer

Municipal Officials - Shtimje

Naim Ismajli - Chief Executive Officer

Municipal Officials - Skenderaj

Bob Charnburry - UNMIK Municipal Administrator  
Ramadan Gashi - President of Municipal Assembly  
Fadil Rrustemi - Chief Executive Officer  
Mehmet Berisha - Director of Finance and Economy Department  
Muhamet Bajraktari - Director of Educational Department

Municipal Officials - Zvecan

Name - UNMIK Municipal Administrator

## **KOSOVAR CIVIL SOCIETY AND MEDIA**

### Civil Society Representatives - Gjilan

Fazli Abdullahu - Coordinator of the Center for Human Rights

Agim Zeka - Head of Regional Enterprise Agency

### Civil Society Representatives - Mitrovica

Selatin Kacaniku - Radio Globi

Luan Qabra - Handikos

Hajrija Mahmutovic - Bosnian Women's Club

Imrane Avdiu - Association of Bussines Women

Valbona Shala - NGO "Doves of Peace"

Sadije Kotorri - Finnish Red Cross

### Community/Village Leaders - Obiliq

Mehmet Krasniqi - Sibofc

Avdi Mirena - Hade

Eshref Pllana - Lajthishte

Shaban Krasniqi - Breznice

Halil Ibrahimimi - Milosheve, Raskove, Bakshi

Mustafe Rushiti - Mazgit, Lazareve

Bejte Mjekiqi - Grabovc, Shipitule

Afrim Hasani - Obiliq

### Community/Village Leaders - Obiliq

Mehmet Krasniqi - Sibofc

Avdi Mirena - Hade

Eshref Pllana - Lajthishte

Shaban Krasniqi - Breznice

Halil Ibrahimimi - Milosheve, Raskove, Bakshi

Mustafe Rushiti - Mazgit, Lazareve

Bejte Mjekiqi - Grabovc, Shipitule

Afrim Hasani - Obiliq

### Civil Society Representatives - Peja

Neshat Asllani - Kosova Center for Human Rights

Neshat Nurboja - Kosova Civil League

Zija Bala - Ecologocist' Association

Fetanete Kastrati - Kosovo Women Initiative

Lumnije Decani - Women Center Welfare

### Civil Society Representatives - Pristina

Lulzim Peci - Director of Kosova Center for SF

Flaka Surroi - Director of CDF

Muhamet Mustafa - Director of RIINVEST

Civil Society Representatives - Prizren

Osman Goranci - Director of NGO "Shadervani" and editor of Radio "Prizreni"  
Vjollca Bonjaku - Resource Center  
Alfred Kinolli - Representative from local Roma NGO "Roma Women Center"

Civil Society Representatives - Skenderaj

Murat Musliu - Radio Drenica  
Shaqir Mecinaj - NGO Forum of Skenderaj  
Ajnishahe Shala - Center for Protection of Women and Children

Civil Society Representatives - Shterpce

Dragana Manic - Community Center Manager  
Zarko Redzic - Representative of local NGO "Survival and Return"  
Idriz Hyseni - Coordinator of Mother Teresa Society, branch in Shterpce  
Makfire Avdiu - Coordinator of NGO Lypeteni

Community/Village Representatives -Shale/Lypjan

Meeting with village council

Citizen Focus Group - Pristina

## Appendix IV

### Reference Material

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## Appendix V

### The Thirty Municipalities of Kosovo<sup>64</sup>

- [Dečan/Dečani](#)
- [Gjakovë/Đakovica](#)
- [Glllogovc/Glogovac](#)
- [Gjilan/Gnjilane](#)
- [Dragash/Dragaš](#)
- [Istog/Istok](#)
- [Kačanik/Kačanik](#)
- [Klinë/Klina](#)
- [Fushë Kosovë/Kosovo Polje](#)
- [Kamenicë/Kamenica](#)
- [Mitrovicë/Mitrovica](#)
- [Leposavić/Leposaviq](#)
- [Lipjan/Lipljan](#)
- [Novoberdë/Novo Brdo](#)
- [Obiliq/Obilić](#)
- [Rahovec/Orahovac](#)
- [Pejë/Peć](#)
- [Podujevë/Podujevo](#)
- [Pristinë/Priština](#)
- [Prizren/Prizren](#)
- [Shtime/Štimlje](#)
- [Shtërpçë/Štrpce](#)
- [Skenderaj/Srbica](#)
- [Suharekë/Suva Reka](#)
- [Ferizaj/Uroševac](#)
- [Viti/Vitina](#)
- [Vushtrri/Vučitrn](#)
- [Zubin Potok](#)
- [Zvečan/Zvečan](#)
- [Malishevë/Mališevo](#)

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<sup>64</sup> Source: OMiK web-site, “<http://www.osce.org/kosovo>”. The name of each municipality is represented first in the language of the dominant ethnic community.

## **Appendix VI**

### **The SRSG's Benchmarks 2002**

(Content transmitted separately, for addition to the hard copy.)

## Appendix VII

### Overview of Structures of Government

Official (i.e., internationally-recognized) government in Kosovo is in three parts:

- the remnants of the UN Interim Civil Administration, headed by the SRSG, responsible for all powers not transferred, and retaining in any event the power to intervene;<sup>65</sup>
- the Provisional Institutions of Self-Government (the PISGs), comprised of the Assembly of Kosovo (AoK), the President of Kosovo, the Government, the Courts and any other institution prescribed;
- the municipal governments of Kosovo, established by UNMIK Regulation No. 2000/45, which provides in Article 2.1 that “The basic territorial unit of local self-government in Kosovo shall be the municipality.”

The powers or competences given to the central and the municipal governments include overlapping jurisdictions in such areas as economy and finance, health, education, social welfare, planning and environmental protection.<sup>66</sup>

In addition to the three levels of internationally-recognized government, other forms of parallel or shadow government exist. These are most visible in certain Serbian areas of Kosovo, where authorities in Belgrade may still support, for instance, the education, health and justice sectors, and where security of pensions is a serious concern for Kosovo Serb people. There may also still be forms of parallel Kosovo Albanian governance which derive from the parallel institutions of the 1990s, and from the authority of the Kosovo Liberation Army (KLA); these are very shadowy, but it is known that at least some Albanian people working for the officially-recognized governments also take salaries from other sources.

The thirty municipalities of Kosovo are more in the nature of counties than cities or towns. In all cases they comprise more than one urban settlement, more than one village, and greater or lesser amounts of rural, agricultural and wooded areas. In each municipality there is only one municipal government and assembly.

Each municipality has an Assembly made up of 17 – 31 people. In the 2000 elections these were elected on the basis of open lists; in the 2002 elections candidate lists were closed.<sup>67</sup> Each Municipal Assembly elects a President, (the mayor) and at least one Deputy President. Three Assembly committees are required to be constituted: Budget and Finance, Communities and Mediation, the last two being subject to a prescribed ethnic composition. Any number of additional committees may be constituted. The municipalities are under other

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<sup>65</sup> The SRSG retains the responsibility for implementation of UNSC Resolution 1244 (1244), has oversight of the Provisional Institutions of Self-Government, and has the authority to intervene in the event of a violation of 1244 or of the *Constitutional Framework* (see Article 12 *Constitutional Framework*)

<sup>66</sup> See **Appendix VIII**, The Competences of the Central and Municipal Levels of Government, for a detailed description.

<sup>67</sup> The existence of open lists in the first election allowed the electorate to vote around women candidates, who were one out of every three of the first two-thirds of each party's list, according to a quota proposed by the international community and accepted by the political entities. Women numbered approximately 8% of the municipal councilors elected in 2000. Party lists were then imposed (again with political entity agreement) for the central election in 2001; one result was that women now number approximately 28% of the AoK deputies.

mandatory requirements such as the passage of a municipal statute, holding public meetings, etc.<sup>68</sup>

As of the date of the second municipal elections in October 2002, not all municipalities had complied with all of the requirements they bear under Regulation 2000/45, nor have they suffered, so far as is known, any sanctions or penalties as a result.

The municipalities each have a Chief Executive Officer and a Board of Directors, who are hired by the Municipality Assemblies. The Directors head Departments which in some if not all cases have confused relations, legally and practically, with the central Ministries.

Older forms of village government may remain to greater or lesser degrees in different parts of Kosovo. These were authorised by the Yugoslav 1974 constitution. To the extent that they remain, they appear to be appointed or self-appointed, rather than elected. What authority they wield is not clear, since they have never been the focus of attention of the international community.

UNMIK set up a 5-region administrative structure in Kosovo in 1999, following the boundaries established by KFOR in June of that year. There is no regional level of government which is indigenous to Kosovo.

The relationship between political parties (meaning Kosovo-wide political parties) and municipal government is key to understanding Kosovo, although beyond the scope of this paper. Suffice it to say for the moment that whatever party dominates a Municipal Assembly dominates government life in that municipality. Note in addition that many if not all villages in Albanian Kosovo are dominated by one or another political party, usually either the LDK or the PDK.

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<sup>68</sup> Kosovo Serbs boycotted the October 2000 municipal elections. In December of that year the SRSG (then Bernard Kouchner) swore in Serb councillors in a number of municipalities in order to install governments in those municipalities. This was for reasons which were accepted by the international community as over-riding, at the time, but it did, effectively, ensure the continuation of what had been either self-appointed or old-regime (i.e., Milosevic, SPS) appointments, and the integrity of parallel Serbian authority. The current SRSG did not entertain the possibility of a process of appointment after the Kosovo Serb partial boycott in October 2002.

**Appendix VIII: The Competences of the Central and Municipal Levels of Government in Kosovo, 2000/03. (Bolding added for ease of comparison.)**

<i>Constitutional Framework</i> <sup>69</sup> Chapter 5, Responsibilities of the Provisional Institutions of Self-Government	<i>On Self-Governance of Municipalities in Kosovo</i> <sup>70</sup> Section 3, Responsibilities and Powers of the Municipalities
<ul style="list-style-type: none"> <li>(a) <b>economic and financial policy</b></li> <li>(b) fiscal and budgetary issues</li> <li>(c) admin &amp; operational customs activities</li> <li>(d) domestic &amp; foreign trade, industry &amp; investments</li> <li>(e) <b>education</b>, science &amp; technology</li> <li>(f) youth and sport</li> <li>(g) culture</li> <li>(h) <b>health</b></li> <li>(i) <b>environmental protection</b></li> <li>(j) labour &amp; <b>social welfare</b></li> <li>(k) family, gender &amp; minors</li> <li>(l) transport, post, telecom &amp; IT</li> <li>(m) public administration services</li> <li>(n) agriculture, forestry &amp; rural development</li> <li>(o) statistics</li> <li>(p) <b>spatial planning</b></li> <li>(q) tourism</li> <li>(r) good governance, human rights &amp; equal opportunity</li> </ul>	<ul style="list-style-type: none"> <li>(a) <b>providing basic local conditions for sustainable economic development</b></li> <li>(b) <b>urban &amp; rural planning and land use</b></li> <li>(c) licensing of building &amp; other development</li> <li>(d) <b>local environmental protection</b></li> <li>(e) implementation of building regulations &amp; control standards</li> <li>(f) service provision in relation to local <b>public utilities &amp; infrastructure</b> (water, sewage, waste, local roads, transport &amp; heating)...<sup>71</sup></li> <li>(g) public services including fire &amp; emergency</li> <li>(h) management of municipal property</li> <li>(i) <b>pre-primary, primary &amp; secondary education</b></li> <li>(j) <b>primary health care</b></li> <li>(k) <b>social services</b> &amp; housing</li> <li>(l) consumer protection &amp; <b>public health</b></li> <li>(m) licensing of services &amp; facilities</li> <li>(n) fairs and markets</li> <li>(o) naming &amp; renaming of roads, streets &amp; other public places</li> <li>(p) provision &amp; maintenance public parks, open spaces &amp; cemeteries</li> <li>(q) such other activities as are necessary for the proper admin of the municipality &amp; not assigned elsewhere by law</li> </ul>

<sup>69</sup> UNMIK Regulation No. 2001/09

<sup>70</sup> UNMIK Regulation No. 2000/45

<sup>71</sup> UNMIK Regulation No. 2000/49, *On the Establishment of the Administrative Department of Public Utilities*, then gave that department in section 1.2 “the management oversight and regulation of matters relating to **public utilities** in Kosovo that shall include natural gas supply, transmission and use for public utilities purposes, electric light, heat, power, water supply and waste water and solid waste collection and treatment, as may be provided by public, private and other enterprises and institutions providing such services.” This was then superseded by Regulation No. 2002/12, *On the Establishment of the Kosovo Trust Agency*, which gives the KTA administrative authority over all matters covered by Regulation No. 2000/49 (the Department of Public Utilities no longer existing in any event).

## Appendix IX

### Training Programs Pre-2003

#### Assistance and advice to PISG in the areas of law and public administration

Activities	Donor	Resources	Timeframe	Description
<b>PUBLIC ADMINISTRATION</b>		<b>€million</b>		
<b>GENERAL</b>				
<b>Resource unit to support public administration</b>	EC/EAR	4.5	2002 -	Provide expertise to Ministries in framework and delivery mechanisms
<b>Support for establishment of Institute for Public Administration (IPA)</b>	EC/EAR	0.7	2002 -	
Kosovization	Germany	1.0	2001-	Training of senior management level
Municipal Experts	EC/EAR	3.0	2001 -	Municipal experts (21) are deployed; capacity building in general & management, property and legal issues
Municipal Experts Project and the re-establishment of local authority	EC/EAR	2.2 5.0	1999 -	Twinning of EU experts at the municipal level
<u>Support for establishment of Auditor General's Office and improvement of public financial management</u>	EC/EAR	5.7	2001 -	Auditor General's Office; Municipal budget management systems; Audit (KCB)
Financial Management	CIDA	1.8	2001-	Financial Management Support/Free
Financial Management	Sida	2.4	2001-2003	<b>Financial Management/Treasury L hardware, basic training in financial literacy training for the municipal</b>
Support to Office of the Prime Minister	US/USAID		2002-	<b>Commercial law team with 2 international lawyers as well as specialized short to be added</b>
Support to Office of the Prime Minister	US/USAID		2002-	<b>Macro/fiscal policy advisor – planned</b>
Support to the Ministry of Trade and Industry	US/USAID		2002-	<b>Long-term legal advisor; on legal reform</b>
Institution strengthening of Ministry of Trade & Industry	EC/EAR	2.4	2002-	<b>Policy and strategy advice on SME section on SME policy. Creation of SME development. Creation of an all regions and SME support organization</b>
Support to Ministry of Finance and Economy	US/USAID		2002-	3 long-term fiscal policy specialists, 1 inter-governmental finance expert. PI budget administration and macro-economic
Support to social policy and pension reform	US/USAID		2002-	Pension policy and administrative reform legal specialist, a senior pension policy specialist.
Pension Trust Agency	US/USAID		2002-	Planned: support for an advisory position
Advisory and training support	US/USAID			Kosovo Trust Agency, PURCK, CFA administration, accounting)

Habitat/Urban Planning	Netherlands	2.6	2002-	Capacity building and technical support Kosovo
LoGo	Netherlands	1.0	2001-	Local governance programme – support
LoGo	Norway	0.7		
UNDP/Civil Service and Public Administration Development	UNDP, KFOR	0.45	2002-2003	Support the establishment of KIPA; test pilot in 3 ministries and 3 municipalities Policy Cycle Management
UNDP/Senior Civil Servants training project	Germany/ UNMIK	0.45	2002	Training of Permanent Secretaries, Civil Advisors in Rules of Procedure of the with institutions of public administration region
Energy sector TA project	WB	2.8	2001-2002	
Private sector development TA project	WB	3.4	2001-2003	Development of a new full-fledged court strengthening the capacity of the Commission the quality of legal services; Support standards and provision of training for Implementation Unit
Education and Health Project	WB	5.0	2000-2002	<b>Policy design, training; development</b>
Social Protection project	WB		2001-2004	
Public Civil Service Law	UK/DfID			Drafting of the Basic Public Civil Service development of the Beta legislation
Training Needs Assessment / Municipalities	UK/DfID			Training needs assessment for government
Human Resources	UK/DfID			UNMIK payroll and HR operational issues
Civil Service Management Project	UK/DfID	4.35	2002-	Supporting civil service reform through development programme
Civil service pay & grading review	UK/DfID		Pending	Assistance under discussion
<b>LAW (JUSTICE AND HOME AFFAIRS)</b>				
Legal aid in civil matters	EC/EAR	2.0 1.0	2002 onwards 2001	Second phase of project to provide comprehensive system of legal aid. Provide legal aid, via agreement with matters for vulnerable groups of people public information campaigns
Rehabilitation and equipping of judicial buildings	EC/EAR	5.0	2002 -	Enhance capacity and conditions of public
<u>Training For Bar Exam</u>	EC/EAR	0.2	2001 -	Support for training of bar exam candidates or prosecutor.
<u>Modernisation Of Courts</u>	EC/EAR	0.3	2001 -	Case tracking system and legal Data District Court.
<u>Kosovo Judicial Institute (KJI)</u>	EC/EAR	0.8	2001 -	Support establishment and development Education Programme for magistrates
<u>Kosovo Judicial Institute (KJI)</u>	USAID	0.57	2002- to start	Training of judges and prosecutors
<u>Court Administration</u>	USAID	2.6	On-going	Two long-term advisors and several staff administration
Legal development support	Germany	0.3	2001-	IRZ legal development support



Partners for Democratic Change	Netherlands		2001-	Support Programme for PDC includi to female decision makers
Partners for Democratic Change	USAID	0.4		Support to establish a Kosovar media
Support to Kosovo Law Centre	Netherlands		Pending	Scholarships for four law students at
Support to CDRC	Netherlands		Pending	Support in writing training manual, tr
<b>OTHER ASSISTANCE TO PUBLIC SECTOR</b>				
<b>Municipal and Local Investment Fund (MLIF)</b> 3 <sup>rd</sup> phase 2 <sup>nd</sup> phase 1 <sup>st</sup> phase	EC/EAR			<b>MLIF 3: Provide increased capacit infrastructure project and for the r municipal assets.</b> <b>MLIF 2: 34 small scale infrastru technical staff</b> <b>MLIF 1: 83 local infrastructure pr</b>
		3.5	<b>2002 –</b>	
		3.0	<b>2001</b>	
		8.4	<b>1999-2001</b>	
Refurbishment of Public Buildings	EC/EAR	7.5	2001-	Buildings include: hospital block, un and courts.
<u>Rehabilitation of Public Buildings</u>	EC/EAR	11.0	2001 -	Construction of quick building prisor Tower Building – government offices; Rehabilitation of Pensions' Fund Bui
		2.0		
Registration: ID cards	EC/EAR	5.0	1999	
Kosovo Assembly	USAID		2002 to start	Two advisers to the Kosovo Assembl 0.3 million)
Penal Management Services	Netherlands		Pending	Support to PMS in completion of reh
Kosovo Police Service School	Netherlands		2001-	Three trainers at the KPS School
Kosovo Police Service School	USAID	5.7	On-going	Personnel (19) to the KPS School

Note: This table is mainly limited to the assistance in areas of law and public administration. Assistance towards agencies such as Cadastre and Statistical Office of Kosovo are not included in the above table. In addition, several donor projects in various sectors include technical assistance components, which are not mentioned here.

Table 1. Overview of the main training projects and training areas of different institutions in 2001-2002

<b>Institution</b>	<b>Main Training Projects</b>
UNDP	Project <i>Training for Senior Civil Servants in Rules of Procedures and Drafting of Secondary Legislation</i> , training in “training needs assessment” and training for municipal civil servants
OSCE Institute for Civil Administration	During 2000-May 2002, 4746 civil servants participated in different training courses. The training courses provided an introduction to the core competences required of civil servants in the municipalities. ICA offered its training through a number of different formats – one-day, two-day, three-day, four-day seminars, longer in-depth courses and also medium-term programmes
UK Department for International Development	<i>Kosovo Civil Service Personnel Management Project</i> , delivered by an international consortium led by the UK Cabinet Office’s Centre for Management and Policy Studies includes also training of 300 Civil Service managers in personnel management issues (approximately 7225 participant days) and a training for trainers component
US Agency for International Development	Assistance and support in the following areas: Banking, including training civil servants in the areas of Bank, Insurance, and Pension Supervision; Bank Payments, Bank Accounting; Fiscal Reform, including training in the areas of Tax Administration, Municipal Budget Development and Execution, Property Tax Collection, Macroeconomic Analysis Commercial Law, including training local lawyers and officials in the Executive Branch in the development of legislation, as well as technical assistance to the Assembly in the development and analysis of economic legislation Public Utilities, including training in the areas of tariff setting for the electricity, water and solid waste sectors. Practical skills training for judges and prosecutors in collaboration with the OSCE Kosovo Judicial Training Institute Training and support for key staff at each of Kosovo’s 55 courts in the use of new systems for personnel, accounting, budgeting, procurement, case tracking, and other areas of court administration. Technical assistance to members of the Assembly of Kosovo in developing a democratic legislative process and the institutional capacity to understand, analyze and develop economic reform and civil governance legislation.
Canadian International Development Agency	Support to training in financial management
European Agency for Reconstruction	Assistance and support to the wide range of training (human resources development, financial management, policy making and implementation etc)
World Bank	<i>Kosovo Education and Health Project</i> included training component ( <i>Ministry Empowerment Project</i> – training for the 48 new staff of Ministry of Education, Science and Technology). In addition, a Municipal Education Finance Handbook and a Municipal Education Governance Handbook were prepared, and related training is now underway. Supported training program in procurement, program for the Ministry of Finance and Economy includes also training component
Office of the Swiss Government (Swiss Agency for	Project “Contribution to the Re-establishment of the Cadastre in Kosovo” (the implementation of the training unit. Also support to the training of municipal cadastral officers); “Support to Kosovo

Development and Coordination)	Education Centre” (support to the training of school headmasters); Project “Rehabilitation of Penal Institutions and Correctional System in Kosovo” (includes training component); prepared project <i>Training of Trainers of the Institute for Civil Administration in Kosovo</i> but the project was cancelled
Central Fiscal Authority	Financial management and budgeting processes, public procurement
Swedish International Development Agency	Support to the training in financial management and accounting in municipalities, support to the training of employees of the Kosovo Statistical Office and Kosovo Cadastral Agency
KFOS	Support to the development of local democracy, culture and education (including training and training of trainers components)
Office of the High Commissioner for Human Rights	Wide range of training courses in human rights issues
Kosovo Police Service School	The mandate is to deliver basic policing training for 5300 locally recruited police officers by the end of 2002. School also conducts management training and advanced specialized training to police officers and training in legal issues and training of trainers
Kosovo Civil Society Foundation	Project <i>Internet Academy for the politicians</i> and other various training activities
Kosovo Education Centre	Training of employees of educational institutions and of public servants in project management (financed by different donors)
A number of local NGOs	Training for municipal officials in different issues (financed by different donors)

## APPENDIX X

### OSCE Training Pre-2003

#### Institute for Civil Administration Training Programme

#### Total Participants, Gender and Ethnic Breakdown of ICA seminars and Courses for 2000, 2001 and until December 2002

**I Seminar Programme:** In operation since December 1999, ICA's Seminar Programme provides flexible, ready-response 1-2 day training to municipal staff across Kosovo. The seminar format allows ICA to provide training in sector-specific issues and emerging topics in Kosovo's public management. Seminars are usually delivered regionally, in Prishtinë/Priština, Gjilan/Gnjilane, Pejë/Pe\*, Prizren, Mitrovicë/Mitrovica and Zveçan/Zve\*an for civil servants from all ethnic communities. Attendees from several neighboring municipalities are invited to a common location and trained in groups of 25-35 people.

#### 2000

- Small- and Medium sized Enterprises Development (144 participants)
- The Role of the Ombudsman Office (96 participants)
- Personnel Management and Human Rights Awareness in the Civil Service (150 participants)
- Budget Planning and Citizen's Participation in Local Government Decision Making (132 participants)
- Project Planning/Logical Framework Approach (139 participants)
- Conducting Effective Meetings (85 participants)
- Post Election Municipal Assembly (PEMA) training (607 participants)
- Municipal Regulation (156 participants)

#### 2001

- Contracts and Tenders in Kosovo's Municipalities (145 participants)
- Municipal Presidents Seminar – Kosovo After the Elections (27 participants)
- Project Planning and Management; The Logical Framework Approach (140 participants)
- Urban Planning and Development (121 participants)
- Role of the Opposition Work in Kosovo (85 participants)
- The Communities Committee and Human Rights Standards (58 participants)
- Personnel Management and Recruitment Skills (18 Participants)
- Workshop for CEOs and Municipal Presidents (47 participants)
- Workshop for CEOs 2-part (29 participants)
- Library Directors Development Programme (18 participants)
- Building Regulations (34 participants)
- Customer Care (155 participants)
- Water & Waste Management (117 participants)
- Constitutional Framework (131 participants)
- Filing Systems (109 Participants)
- Urban and Rural Development (17 participants)

#### Until July 2002

- Human Rights for Mediation Committee (28 participants)
- Logical Framework Approach (33 participants)
- Management skills (37 participants)
- Filing system (6 participants)
- Project Planning and Management (6 participants)
- Human resources management (9 participants)
- Seminar for Community Committee (12 participants)
- Role of the NGOs in a Democratic Society (111 participants)

Total Participants:

2000	2001	July 2002	Total
1,509 participants	1,251 participants	242 participants	3002 participants

## II Computer Courses

ICA's Seminar Programme also provides training in basic computer skills, including word processing and database management, for both municipal employees and JIAS department staff. These courses are taught in the municipalities where the staff receives 42 hours of training.

<b>Total</b>	<b>No. of Participants</b>	<b>Nationality</b>	<b>Women</b>	<b>Statistics on the computer courses, Year 1999/2000, 2001 until December 2002</b>
	<b>1374</b>	<b>K/Albanians 1131</b> <b>Minorities 256</b>	<b>314</b>	

## III Medium-Term Programme

This is an in-service training program for senior and mid-level civil servants in municipalities and central administration. The Medium Term Programme provides a comprehensive introduction to the core competencies required of modern public managers. The Programme's 20-day curriculum – distributed over six weeks – includes Law, Economics, Public Finance, Human Resource Management, Public Management and Urban planning/Rural development.

### 2000

- Ferizaj/Urosevac 21 August – 15 September (31 participants)
- Zvecan/Zveçan 29 August – 6 October, (16 participants)
- Pejë/Pe\* 17 October – 30 November, (29 participants)

### 2001

- Ferizaj/Uroševac 22 January – 16 March, (10 participants) – JIAS staff
- Prizren 06 February – 20 March, (20 participants)
- Ferizaj/Uroševac 07 March – 23 April, (25 participants)
- Gjilan/Gnjilane 10 April – 24 May (26 participants)
- Pejë/Pe\* 03 May – 28 June (22 participants)
- Prishtinë/Priština 24 April – 25 May (26 participants)
- Gracanica/Gracanice 25 May – 03 August (9 participants)
- Prishtinë/Priština 01 August – 28 September (27 participants)
- Zveçan/Zve\*an 15 August – 28 September (16 participants)
- Prizren 24 September – 30 November (24 participants)
- Prishtinë/Priština 01 November- 16 December (17 participants)

### 2002

Seminar	Albanian	Minorities	Women	Men
Pristina Municipality Customer Care, 10 March 2002	14	0	6	8
Directors of Admin within the Ministries Management Skills, 29 Apr – 03 May 2002	9	0	4	5
Prizren Region Municipalities Econ. and P. Finance 26 Apr – 06 May 2002	30	2	12	20
Klina Municipality Management skills, 14 May – 16 May 2002	18	0	3	15
Ministry of P. Services (support staff) Management Skills, 22 May – 23 May 2002	18	4	11	11
Ministry of P. Services (professional staff) Management Skills, Kosovo P. Finance and Applicable				

Law 20 May – 27 May 2002	38	3	13	28
CFA Pristina Management Skills 18 Jun – 15 July 2002	28	0	7	21
CFA Pristina Management Skills 2 19 Aug – 09 Sept 2002	26	0	11	15
CFA Pristina Economics and P. Finance 10 Sept – 20 Sept 2002	28	0	11	17
Central Level Authorities Gender Awareness Training 12 Sept – 13 Sept 2002	27	0	24	3
Mitrovica (northern Municipalities) Management Skills for Women in Civil Service 05 Sept – 18 Sept 2002	0	26	26	0
Office of Prime Minister Management Skills for Support staff 19 Sept – 20 Sept 2002	14	0	5	9
Pristina Region Municipalities Management Skills for women in Civil Service 23 Sept – 08 October	10	0	10	0
Prizren Region Municipalities Management Skills for women in Civil Service 28 October – 13 November	12	3	15	0
Assembly Secretariat Role of the Manager 08 November 2002	24	1	7	18
Mitrovica North LCO Generic management 1 26 November – 28 November	0	8	4	4
<b>Seminar</b>	<b>Albanian</b>	<b>Minorities</b>	<b>Women</b>	<b>Men</b>
Ministry of Education Basics of Management 26 – 27 November	24	2	6	20
Mitrovica North LCO Advanced Management incl. Finance training 02 – 05 December	0	6	3	3
Mitrovica North LCO Generic management 2 09 – 12 December	0	5	2	3
<b>Total</b>	<b>320 (84%)</b>	<b>61 (16%)</b>	<b>167 (44%)</b>	<b>214 (56%)</b>
<b>Total Number of Participants</b>	<b>381</b>			

	2000	2001	December 2002	Total
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<b>Total participants</b>	76 participants	220 participants	381 participants	677 participants
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#### IV International Programmes

- A weeklong public administration course conducted at the School of Public Administration of Slovenia in Ljubljana (30 participants)
- A three-week training course in urban economic planning in Galilee College, Israel (2 participants)
- A one-week seminar for CEOs in Norway (26 participants).
- A ten-day training programme in Germany for seven young civil servants from Kosovo.
- An eight day training programme in Tirana on Urban Planning (30 participants)

#### Italian Seminars

Seminar	Albanian	Minorities	Women	Men
General Admin Directors All Kosovo Municipalities	22	0	0	22
Health Department Directors All Kosovo Municipalities	19	4	4	19
Education All Kosovo Municipalities	24	2	2	24
CEO + Ministries	25	0	4	21
CEO + Ministries	19	2	4	17
Ministries + OPM	27	0	6	21
Ministries + OPM	24	3	4	23
Ministries + OPM	21	1	10	12
Ministries + OPM	25	0	8	17
<b>Total</b>	<b>206</b> <b>94%</b>	<b>12</b> <b>6%</b>	<b>42</b> <b>19%</b>	<b>176</b> <b>81%</b>
<b>Total Number of Participants</b>	<b>218</b>			

#### V. In –Depth Courses

Institute for Civil Administration has started to run with a new program called In-depth courses. Trainees are getting knowledge on the specific topics.

Seminar	Albanian	Serbian	Women	Men
Vushtri procurement seminar	24	0	4	20
Statistics Seminar - Pristina	19	1	2	18
<b>Total</b>	<b>43</b> <b>99%</b>	<b>1</b> <b>1%</b>	<b>6</b> <b>14%</b>	<b>38</b> <b>86%</b>
<b>Total Number of Participants</b>	<b>44</b>			

The total figures from the Central and Local Level authorities trained from the former ICA until December 2002.

Total ICA trainings	Short term Seminars	Medium Term Training Courses	Computer Courses	In – Depth Courses	International Programmes	Italian Seminars
	3002	677	1374	44	95	218
<b>Total No. Of Participants</b>	<b>5410</b>					

## Appendix XI

### Key Sections of The Constitutional Framework and the Municipal Law

**The relationship between various levels or potential levels of government is addressed to some extent in the existing law.**

The *Constitutional Framework* provides in Chapter 5.2. that the PISGs have the following responsibilities:

- (a) Supporting inter-municipal cooperation;
- (b) Promoting the development of a professional municipal civil service;
- (c) Assisting municipalities in the development of their own budgets and financial management systems;
- (d) Monitoring the quality of municipal services;
- (e) Identifying ways and means for training activities for the municipalities;
- (f) Assisting the municipalities in making their activities transparent to the public;
- (g) Providing legal guidance and advice to the municipalities;
- (h) Coordinating the activities of international agencies and non-governmental organizations pertaining to municipalities;
- (i) Overseeing compliance with responsibilities and powers delegated to municipalities based on the organizational structures that emerged from the municipal elections in October 2000, as well as responsibilities and powers transferred in the meantime. It is understood that additional powers will be progressively transferred in an orderly manner. (underlining added for emphasis.)

The law *On Self-Governance of Municipalities in Kosovo* stipulates the following relationship between the municipalities and the different parts of municipalities:

- 5.1 Each municipality shall make arrangements with villages, settlement and urban quarters within its territory to ensure that the needs of all inhabitants in the municipality are met. (underlining added for emphasis.)
- 5.2 With the approval of the municipality, villages, settlements and urban quarters, singly or in combination, may carry out activities that are within the responsibilities and powers of the municipality. In this event, the villages, settlements and urban quarters shall receive commensurate resources from the municipality. Where approval has been withheld by the municipality, villages, settlements and urban quarters may apply to the Central Authority for approval to carry out such activities.
- 5.3 The Statute and local municipal regulations shall stipulate the form of cooperation between the municipality and villages, settlements and urban quarters and the scope of work and organization of villages, settlements and urban quarters. All villages, settlements and urban quarters shall comply with the applicable law when carrying out activities by arrangement with the municipality.



## Appendix XII

### The SRSG's 7-Point Mitrovica Speech, October 2002

A CHOICE FOR MITROVICA  
- The Seven Point Plan -  
By Michael Steiner  
Special Representative of the Secretary-General  
1 October 2002

Citizens of Mitrovica,  
Dear Friends,

Yesterday I visited the Serb communities in Kamenica and in Orahovac. Today we are here in the North. There are Serb communities all across Kosovo. That's how it must be.

But this also means that we have to take care of the concerns and needs of all of them. And we have to make return possible for those who want to come back to their homes. All across Kosovo. Whether in the Zupa Valley or in Pristina. This is why UNMIK will present return as a top priority at the EU/World Bank donor conference in Brussels on 5 November.

My job is to take care of the legitimate interests of all in Kosovo. The Kosovo Albanians, the Kosovo Serbs, the Bosniaks, Turks, Gorani, Roma, Ashkali and Egyptians. They are all faced with difficulties. But today I want to address specifically the Serb community in the North of Mitrovica. I want to focus on the choice for Mitrovica. On the future of Mitrovica.

When you look at northern Mitrovica today, what do you see? Grey streets. Young people with no prospects. Cars double and triple parked. Disorder. Fear. A legal grey zone. No investment. No jobs. No future.

It's time to do something. If we just leave things as they are, they will slide even further. We need to stop this slide.

I have a plan: to make Mitrovica a normal European town. A secure town. A town with a functioning administration. And with economic prospects. My plan is to replace fear with trust and confidence. This plan has seven points:

**First point: No incursion.** To the people living in the North I give my solemn guarantee that there will be no incursion from the South. I don't believe an incursion is likely. But we would prevent it in any case. UNMIK Police and KFOR shall watch the bridge.

**Second point: Regular policing.** Serbs from northern Mitrovica have started to join the Kosovo Police Service. They will provide full-time policing before the end of the year. And they will be reinforced by a larger number of Serb police school graduates in the spring. These will be your police. They will counter street crime. They will deal with the traffic problem. They will bring order to northern Mitrovica.

**Third point: Co-governance.** We need a new start for governing the whole of Mitrovica. In making this new start, it makes sense to take important decisions in the municipality jointly. We need safeguards against simple outvoting by the majority. Equally, the minority should not be able to block everything. To achieve this, I propose a coalition agreement after the elections, under my auspices, between Serb and Albanian political parties in the Municipal Assembly. That agreement would ensure that, irrespective of size, the communities would have their say on the municipal level.

**Fourth point: Decentralisation.** Common interests need to be decided jointly at the municipality level. But specific interests can be decided on a local level, in a municipal sub-unit. These sub-units will have a local council, administrative organs and a budget. They will be able to decide on issues of

local importance: markets, public spaces, culture and sports, as well as managing schools and health centres. As everywhere in Europe, the idea is to bring government closer to the people. Thus decentralisation is for the whole of Kosovo, not just Mitrovica. The sequence has to be: first participation in elections, then decentralisation. You cannot decentralise without recognising the municipal centre. That's not how democracy works. You cannot pick and choose. But if there is participation, I undertake to start the process for decentralisation immediately after the elections.

***Fifth point: Quick economic boost.*** I am prepared to move an important part of the UNMIK administration to northern Mitrovica. The Kosovo Trust Agency would have its headquarters here. Placing the Agency in Mitrovica would have a quick economic impact on the town as a whole. It would increase the number of jobs and the demand for flats and services. The Kosovo Trust Agency is one of the most important institutions for Kosovo's economic future. This also means that the security situation must be right. Therefore locating the Agency in Mitrovica would send a vitally important message to investors that now is the time to invest.

***Sixth point: Mitrovica donor conference.*** Donors need legitimate partners and the conditions need to be right for investment to come. After successful elections, I am prepared to organise a conference of donors and potential investors specifically for Mitrovica.

This brings me to the ***Seventh and last point: Election participation.*** Let's be clear: the prospects that I have outlined presuppose political participation. Without participation in the municipality, there can be no decentralisation. Without legitimate institutions, there will be no investment. Money will not come to a grey zone. Without participation in the elections now, the Serb community will have excluded itself from political life for the next four years.

Dear Friends,

I want us to be partners. This is a time when the destiny of Mitrovica is being decided. Mitrovica is at a crossroads. And you, living in the North, are faced with a choice: stagnation or change. Leaving things as they are means continued lawlessness, insecurity, fear and political marginalisation. It means staying in the grey zone.

I have talked to mothers here in northern Mitrovica. Their main concern is for the future of their children.

You have the choice. But you are also deciding for your children. It is a choice on the destiny of Mitrovica.

In the past here in the Balkans, too much future has been stolen.

What I have outlined is the way to recover your future. It is about being able to take care of the legitimate interests of the Serb community. It is about trust and confidence. It is about having a dignified life in a normal European town. A town where every Mitrovica citizen feels safe and can be proud of northern Mitrovica, proud of southern Mitrovica, and proud of Mitrovica as a whole.

## APPENDIX XIII

### THE ASSOCIATION OF KOSOVO MUNICIPALITIES

After intensive capacity-building work with USAID and the OSCE,<sup>72</sup> the AKM held its inaugural meeting on June 30, 2001, in the offices of the OSCE in Pristina. Significant difficulties had emerged along the path that led to that day, but there is no doubt that the event itself was a milestone in development. The Association was constituted as an organization of municipalities, as opposed to Mayors (thus avoiding degeneration into an LDK club), and as a multi-ethnic grouping, having one Kosovo Serb as Deputy President. The driving force in Kosovo behind the establishment of the AKM was, and remains, Lufti Haziri, the LDK Mayor of Gjilan/Gnjilane, an exceptionally dynamic and capable politician and administrator.

Since then the AKM has not developed institutionally to any great extent, although it now does have an office in Pristina, and the President reports that they have concentrated over the last year in establishing an international presence<sup>73</sup>. The AKM is certainly a potential partner in supporting a structural reform, or devolution, initiative. It has the membership, it has the interest<sup>74</sup>, and it can be mobilized now that the second municipal elections are over. In particular, it has the capacity to develop and maintain a long-term interest in de-centralization, and to become the principal advocate, activist and lobbyist on behalf of local government in Kosovo. Further, it is a multi-ethnic organization, at least by stated commitment, and that commitment can be made to stand. It is however only one organization and particular consideration should be paid to the possibility that civil society organizations could also play a pivotal role, or to the possibility that a coalition could be formed of non-governmental and governmental interlocutors to take up the banner of devolution and responsible and responsive local governance.

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<sup>72</sup> One of only several outstanding examples of intensive USAID/OSCE collaboration with local interlocutors, all of which stand as models, not only of cooperation, but collaboration in the pursuit of a common goal.

<sup>73</sup> The Association was reportedly granted Council of Europe observer status.

<sup>74</sup> Indeed, one can say of the membership that it has the anger at what it sees as the decision by the centre to concentrate power within the centre.

