



SUCCESS STORY

New Tax System Pays for Roads, Parks

A property tax system helps local government provide key services

A new road connects Kacanik, a Kosovar city near Macedonia, to several nearby villages. A freshly paved sidewalk runs along the river, and a site nearby has been cordoned off and will soon become a park and children's playground.



Photo: BearingPoint/Jeanette Sanchez

Hajat Tocilla, 12, with her sister Erza, 9, says the new park in Prizren is their "favorite place to play."

"Our citizens are starting to see the benefits of paying taxes," said Kacanik's property tax manager, Xhelal Dema. "Only by paying can we have better roads, schools, or water systems."

These changes took place thanks to revenue generated from property tax collection, a practice that did not exist here not long ago. In 2002, USAID launched a project to create a modern property tax system and teach local officials how to survey properties, issue tax bills, and collect funds. As part of the program, USAID sponsored one-on-one advisory sessions, training programs, and study tours for government representatives from across Kosovo. The program also provided technical assistance to the central government to help draft and carry out new legislation governing tax collection.

Kacanik now succeeds in collecting about 65 percent of estimated property taxes due — more than most Kosovar municipalities. "Our citizens are starting to see the benefits of paying taxes," said Kacanik's property tax manager, Xhelal Dema. "Only by paying can we have better roads, schools, or water systems."

About 70 kilometers down the road from Kacanik lies another town, Prizren, which is held up as a model of good use of property tax collections. The city's large park with manicured lawns is just one of the benefits of instituting property tax collection. Prizren has also launched a campaign to inform residents and visitors about how the city was able to build more roads, renovated schools, and create new parks.

By helping the government design a property tax system and municipalities collect taxes, USAID is helping Kosovo move closer to financial self-sufficiency.