



SERBIA snapshot

World Bank – Austria  
Urban Partnership Program

The role of local governments has been evolving with increasing responsibilities and capacity gaps remain and need to be addressed. Local governments in South-East Europe (SEE) are particularly challenged by the status of decentralization, mismatch of revenue and expenditure management, absence of infrastructure investments, weak local institutions, weak mechanisms of social accountability, increased need to combat corruption, frequent shifts in political structures, and low speed of institutional reforms. The World Bank-Austria Urban Partnership Program (UPP) aims to strengthen the capacity of local governments in SEE region, and to equip local elected officials, city administrators and technical staff with practical tools for decision-making, to effectively manage urban development for inclusive and sustainable growth. While global in scope, this Program is targeted at the Western Balkan countries, including Serbia.



The first phase of the Program (2011-2014) was shaped by the demand of municipalities and local government associations and was focused on key dimensions of local government, including municipal finance, urban planning and land management, urban governance/ anti-corruption, and social accountability. The main partner institution in Serbia is Standing Conference of Towns and Municipalities. The second phase of the UPP aims to scale up use of LG diagnostic tools and anchor them as part of the municipal practice. At the same time, UPP II aims to expand the citizen engagement and integrity building agenda.

Municipal finance and Urban Planning and Land Management

To foster peer learning, the UPP held a series of City to City (C2C) dialogues on municipal finances, urban planning, and land management. Participants received hands-on capacity building in a series of interactive workshops. Between the workshops, they worked on specific reform actions that they had identified as the highest priority for their city. The C2C dialogues offered a platform which enabled LGs to cross-fertilize ideas and share experiences in a nonthreatening environment.

Serbian cities such as **Belgrade**, **Šabac** and **Subotica** took part in the Municipal Finance Self-Assessment (MFSAs). MFSAs aims to help city officials to improve their financial management. It is a powerful tool for diagnosing the financial status or health of a local government. It helps local governments identify the most important factors influencing local finances, set priorities and targets, measure outputs and outcomes, influence policy decisions, produce annual reports, and publish general bulletins for informing both citizens and financing partners. The MFSAs helped these municipalities to address fiscal challenges, and to record and budget for public assets. There is a clear link between carrying out MFSAs in an open and transparent manner and preparing

**SUBOTICA**

**1. City Profile**

Teritorial organization: Capital City, center of the District of Subotica, consists of 17 sub-municipalities. Total area of the city 380 km<sup>2</sup>. Total area of the District 1,027 km<sup>2</sup>. Registered by a special law (2007) with varying and bounded competences mechanisms.

Population: 174,000 (District), annual growth: 0.4%, Total area: 1,027 km<sup>2</sup> (100/100 km<sup>2</sup>), Nat. Density: 169/km<sup>2</sup> (1.6/km<sup>2</sup>)

**BELGRADE**

**1. City Profile**

Teritorial organization: Capital City, center of the District of Belgrade, consists of 17 sub-municipalities. Total area of the city 380 km<sup>2</sup>. Total area of the District 1,027 km<sup>2</sup>. Registered by a special law (2007) with varying and bounded competences mechanisms.

Population: 1,740,000 (District), annual growth: 0.4%, Total area: 1,027 km<sup>2</sup> (100/100 km<sup>2</sup>), Nat. Density: 169/km<sup>2</sup> (1.6/km<sup>2</sup>)

**2. Financial Situation**

Year	2006	2007	2008	2009	2010	2011	2012
Revenue	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Expenditure	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Surplus/Deficit	0	0	0	0	0	0	0

Exchange: 1 USD = 0.0081 EUR / 1 EUR = 112.47 USD (Dec 2012)  
 Inflation Index: 2008: +8.8%, 2009: +8.8%, 2010: +10.3%, 2011: +7%, 2012: +12.2%

• 2012 annual budget of the City of Belgrade is EUR817 million of which EUR588 million from current revenue. Average annual growth of current revenues in the period under review was +12% which is below the inflation rate + annual population growth rate.

• The total net of 468 services (100% during the period) significantly reduced the net margin (+8.8%). The same is true for the overall surplus, which shows a downward trend.

• The current expenditures increased rapidly during the recession, because of increased social transfers and subsidies.

• Investment effort was rather stable in the period of about 20 billion USD or 200,000 residential units of which was funded with net margin 30% by loan proceeds from the EU, 2005 and 2006, national bonds, and 30% from capital revenue (mostly land development and lease fees).



action plans for reforms. Implementing these reforms can strengthen the case that municipalities make to central authorities regarding the transfer of allocations. It can also enable municipalities to prepare bankable projects and assure citizens that public funds are well spent. In the second phase of the Program we are proposing that in addition to MFSA some of municipalities start with an Urban Audit (UA), first step in identification of a priority investment program.

As a result of applying the MFSA in **Šabac**, the following areas for improvement have been identified:

- Introduction of financially sustainable capital investment planning.** Timeframe: 2014–2015; financing: city budget, funds from the EU and international donors.
- Introduction of asset management.** Timeframe: 2014–2016; financing: city budget, funds from the EU and international donors.
- Introduction of internal audit.** Timeframe: 2014–2016; financing: city budget, funds from the EU and international donors.
- Introduction of program budgeting** with the aim of monitoring the implementation of strategic goals. Timeframe: 2013–2015; financing: city budget, funds from the EU and international donors.

Serbian cities of **Belgrade, Nis and Novi Sad** took part in the Land Use and Urban Planning Self-Assessment (UPSA). UPSA is a diagnostic tool focusing on land and urban planning regulations. It helps municipalities compare their performance with that of other cities in the SEE region, both qualitatively and quantitatively, and to establish common ground for discussions and actionable ideas on how to modernize spatial planning and land management, support local economic development, and improve the quality of life of citizens.

### Urban Governance and Anti-Corruption

The Cities without Corruption, Cities with a Future Initiative helps public officials to diagnose, investigate, and prevent corruption within municipal governments. It targets systemic corruption and the weak institutions that result. The approach emphasizes preventive measures rather than punitive or moralistic campaigns to end corruption. It was developed in collaboration between WBI and Partners Foundation for Local Development (FPDL), a regional NGO. The initiative aims to improve the capacity of anticorruption practitioners, to develop anticorruption strategic plans, and to enhance networks, knowledge sharing, and exchange of experience on anticorruption. Municipality of **Boljevac**, Zajecar District developed first Local Anti-corruption strategy and later on worked on development of an Action Plan. The strategy was presented to the Municipal Council and officially adopted by the Assembly in February 2013, and it became an official and binding document of the Municipality of Boljevac. UPP II will focus on integrity leadership building, aimed to nurture leaders in addition to improving systems.



*“Efficient municipal administration means providing service for its citizens in a transparent way and creating favorable conditions for investments, working in the best interests of the local community.”*

Vision for the better future, Municipality of Boljevac

#### Contacts:

Sabine Palmreuther Sr. Operations Officer [spalmreuther@worldbank.org](mailto:spalmreuther@worldbank.org)

Tamara Nikolic Operations Officer [tnikolic@worldbank.org](mailto:tnikolic@worldbank.org)