

## LOCAL SUSTAINABLE DEVELOPMENT PLANNING IN SERBIA: ACHIEVEMENTS SO FAR AND FUTURE CHALLENGES

by

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*Serbian towns and municipalities adopted Local Sustainable Development Strategy Paper in May 2005 as a strategic framework for local authorities to establish local sustainable development processes. So far more than 30 (from 167) municipalities in Serbia adopted Local Sustainable Development Strategies and initiated the implementation of Local Agenda 21. This paper discusses the case study of Serbia as an example how countries in transition should implement local policies of sustainable development and what obstacles such countries can face on the road toward the sustainability.*

Key words: *sustainable development, local governments, Serbia*

### Introduction

Over the past decade or so, the concept of sustainable development has become a shibboleth, widely accepted as the way to live in harmony with the environment. Achieving the sustainability of national development requires a strategic long term approach that either integrates or encompasses different development processes in such a way that they can be as sophisticated as the development challenges are complex. In accordance with the conclusions of the Johannesburg conference, local governments implementing the sustainable development are bound to enter a decade of accelerated action towards the creation of sustainable communities and protection of common world goods. Apparently with sustainable development (SD) efforts on national levels, local governments also show significant achievements in SD planning. More than 6,400 local governments in 113 countries worldwide responded to the goals of Agenda 21 by developing and implementing "local" Agendas 21 (LA21), according to the Report on the 2001 LA21 Global Survey conducted by International Council for Local Environmental Initiatives (ICLEI), and this number was significantly increased during last few years.

### Theoretical background

Governments, the private sector and civil society in countries across the world have struggled to meet the challenges of sustainable development through a wide array of approaches

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to develop such visions, linkages, and partnerships at national and local levels. The achievement of sustainability in national and local development requires a strategic approach, which is both long-term in its perspective and integrated or “joined-up” in linking various development processes so that they are as sophisticated as the challenges are complex.

Many scholars argue that there are numerous difficulties in implementing local sustainable development at local levels. When assessing strengths and weaknesses of local SD efforts in 13 EU countries, Swiss Federal Office for Spatial Development (ARE) identified the difficulties most commonly mentioned as a lack of human and financial resources, a lack of political support, and a deficient legal basis [1]. Difficulty in maintaining long-term interest, and deficiencies in monitoring, evaluation and inter-sectoral co-operation were also mentioned as negative factors. Problems initially recognised as general receive particular nuances in specific contexts. It is more difficult to assimilate the specifications of Agenda 21 in the countries in transition, especially if they were confronted with totalitarian regimes for a long period of time. It is a case that demonstrates that external support and internal effort must work hand in hand and must be aware that this is a long-time project and that all societal dimensions must be involved.

Local SD process, sometimes also referred to as a Local Agenda 21 (LA21), seems to fulfill most common criteria for governance, defined as a concept describing the practical efforts by governments to adapt themselves to factual changes in their environments [2-4]. That means the introduction of business methods to the public sector (sometimes cited as a new public management) and/or certain common rules of conduct within public administration (good governance). This also means the introduction of new international co-operation schemes and the loss of government power to other actors. Last, but not the least, local sustainable development process as a shift from government to governance includes a change in contacts and co-operation modes between political actors, national, and local governments. This means a changing role of the state, devolution and decentralisation and top-down shift of power [5].

In the process of modernization and the strengthening of the status and functional capacities of the local government in Serbia, the same goals were defined by the Strategy of Public Administration Reform (2003): implied a new distribution of competences, a new type of partnership relations among the various levels of government, new forms of co-ordination, and the establishing of new financial arrangements, together with a strengthening of local government autonomy (fiscal federalism). Regulations on municipalities and other types of territorial organization, public administration, property, local finances, public participation, *etc.*, were proclaimed as a precondition for the reform in this area. It is important to assess to what extent local sustainable development planning processes and practices, introduced at the same time in local self-government, contributed to overall goals of decentralization and public administration reform in Serbian municipalities. This will be discussed further in the following text.

Other Western Balkan countries, given the similar political, economic, and administrative environment, followed the same aspiration in local developmental planning and public administration reform. In Bosnia & Herzegovina and Montenegro so far, local SD strategic planning was mainly donor driven. Integrated Local Development Programme run by United Nations Development Programme (UNDP ILDP) in Bosnia & Herzegovina was highly involved in municipal strategic planning, and in few municipalities these exercises were supported by the World Bank, OSCE, Swiss Development Co-operation Municipal Support Programme, and USAID. The ILDP aims to support the modernization and professionalisation of local development planning in Bosnia & Herzegovina, elaborating and launching a standard-

ised approach for integrated and inclusive local development planning. In other words, the key ambition of the ILDP was to create a unified local planning methodology, which defines the scope of local development widely, bringing spatial, economic, demographic, social, physical, and environmental dimensions of development together and is characterized by citizen participation and social inclusion. Important local strategic initiative in Western Balkan countries was development of Local Environmental Action Programmes (also referred as Local Environmental Action Plans – LEAP). Regional Centre for the Environment for South Eastern Europe played (and already plays) a significant role in setting up the methodology and supporting municipalities in LEAP formulation. For example, till 2006 20% of 148 municipalities in Bosnia & Herzegovina have already developed and adopted the LEAP document. Same situation was in Serbia and Montenegro, as well.

Similarly, new EU member states face the problems in local SD implementation as well. The systematic application of the principles and practices of SD began in Romania in 2000 at the initiative of, and co-financed by the United Nations Development Programme, within the framework of Local Agenda 21. Between 2000 and 2008 over 40 localities and territorial units were included in local SD planning efforts, with more than 2000 persons engaged. The acute problem of lack of financial resources, the shortage of information and data, the poor capacity, the lack of programmes for the collaboration between the policy makers and the academic life or a legislative system were identified as main difficulties in LA21 implementation [6]. Socioeconomic problems took precedence over the environmental problems in the implementation process, as most of the programmes are focused on socioeconomic aspects, which is a characteristic of the transition period. Furthermore, individual mentality (as a heritage of planned economy) was identified as one of the main barriers in sustainable development implementation. Hungarian experience shows that local actors and levels of governance are faced with obstacles from higher, sectorised levels of government when trying to implement their local strategies. Central government plays a very important role in influencing regional policies [7] and communities are working isolated on their processes and on their success. Thus, there is a lack of a common voice of communities working on similar lines. Calls coming from the local level are challenging the bureaucratic and political structures on higher levels. No wonder that bureaucratic and political bodies are not listening to those voices as long as they are not representing the needs of a proven critical mass.

### **Serbian municipalities in the quest for strategic approach**

After 2000 the overall environmental situation in Serbia was very unsatisfactory. According to the preliminary cost assessment in National Environmental Action Program, environmental degradation causes annual costs for Serbian economy between 4.4% GDP (the conservative scenario) and 13.1% GDP (the maximal scenario). This situation was strongly felt in Serbian municipalities. Analysis of environmental policies and practice indicated a lot of challenges for municipalities.

At the same time, challenges concerning economic development and poverty reduction were pressing. Also there was a need to vitalize and make local development process more democratic. Initiated decentralization process brought on board new responsibilities for local governments in Serbia, particularly in economic and social development. Weak links between national environmental policies and other sectorial policies, lack of necessary institutional capacity, a non-sufficient and non-adequate legislative system was also a part of the situation.

Strategic planning is a new tool for municipalities in countries in transition. It fosters innovative, co-operative approaches to urban governance that involve business, government, academics, and other partners in the process. It also allows responsiveness and selective intervention. The experience so far indicates that cities have identified similar strategic directions, but different priorities and operational instruments, depending on the level of political commitment and institutional capacities.

The primary focus of strategic planning in cities and municipalities in countries in transition is the institutional strengthening of local government units through the creation of locally-owned municipal strategy development processes that are participatory, integrated and holistic [8]. While different contexts produce different methodologies, most strategy development processes are cyclical and involve a number of basic components, namely purpose and approach search, contextual analysis and strategy development (visioning, strategic directions – goals and mission statement, objectives for each strategic direction – prioritized targets and milestones, actions).

Historically, the Serbian state in its various forms has employed centralization as an avenue of modernization, assuming an ever-greater role in communal affairs. Before 2000, legal and fiscal arrangements were specifically designed to weaken local government. In early 2002, the Serbian parliament began to rethink decentralization, passing a new Law on Local Self-Government. The legal framework prior to February 2002, however, contributes to the extremely limited responsibilities and powers to municipalities. The 29 districts of Serbia function as extensions of the central government. While major changes have recently taken place at the national and local level, there has been very little political or structural change at the district level [9].

Presently, each district contains several municipalities 167 in Serbia. The 2002 Law on Local Self-Government has divested a municipality of its definition a territorial unit. Municipalities, rather, can organize “local communities”, and exist as corporate entities encompassing towns, villages, and rural areas. While a municipal government is normally situated in the largest town, it is responsible for the entire district.

The new 2005 law signifies innovations in sub-national governance, with refined aims including functionality, professionalism, efficacy, and personal responsibility in administrative execution. It has also expanded the scope of the competences of the local government. Consequently, the following area currently falls under the responsibility of the municipalities: provision of utility services such as supply of water and gas, sewage, sanitation, collecting, and disposing of garbage, as well as certain parts of the traffic infrastructure and the road network, in addition to the areas of elementary education and primary health care, cultural institutions and activities, social services, sports, recreation, ecology, and environmental protection and finally, stimulating the economic development. Certain competencies in social care have been transferred from the national to the municipal level, but these are still out under the auspices of the State bodies. To some extent the financial autonomy of the municipalities has been strengthened, giving them the right to raise loans, collect several republican taxes, and a portion of receipts is re-distributed back to them. But the new law, importantly, has not solved the problem of ownership. Municipalities possess the right to manage ownership, the right to possess land, business facilities, and assets possessed by the state. Finally, accountability and reporting were neither explicitly mentioned in this law, nor are they addressed in the 2005 revision. The reporting system has historically been hierarchical – information flows from the bottom to the top – and generally concerns annual reports, and little more [10].

Although some efforts have been recently made, Serbian municipalities still suffer from the lack of contemporary strategic planning mechanisms. There is a considerable gap between long-term plans (obligatory by the law) and the short-term “project documentation” and annual investment programs prepared by the municipalities; the crucial intermediary phase of medium-term strategic planning is missing. There is an absence of demand studies and economic analysis at the level of project documentation.

In such circumstances, decision makers lack the capacity to compare investment options across different sectors. Also, the potential of community participation in planning and decision-making processes is not adequately realized. The degree of co-operation and consensus among various local government bodies and agencies appears to be less than satisfactory in some cases. To a certain degree, the previous, highly centralized system, the “external” relationship between local central agencies perseveres, to the detriment of “internal” co-operation and policy coherence at the municipal level.

### **Local sustainable development strategic framework**

Significant efforts have been done in recent years to strengthen local self-government in Serbia. Despite that, the problem of weak local government institutions could be described in more details as follows.

- *The (as yet) centralized regulatory framework.* Despite the changes in the regulatory frameworks and despite the fact that all three countries has signed The European Charter on Local Self-Government, the degree of autonomy that the municipalities have today is clearly insufficient for them to take a proactive role in meeting the overwhelming challenges caused by the social and economic collapse, which affected the whole region. One of the most important points, the funding of the municipalities from central government, does not provide municipalities with sufficient means to adequately undertake infra structural investments, social programmes and to create an environment for economic development.
- *The lack of enabling economic environment.* Existing practices do not allow private enterprises to flourish because of prolonged, and sometimes deliberately obstructive, bureaucratic procedures, heavy taxation on businesses, poor infra structural investment and a general lack of transparency and accountability. Any serious start-up business or investor must factor in these obstacles and risks. They encourage an environment for corruption.
- *The lack of management skills.* The majority of the municipalities are over-staffed with employees, who do not always have the education or motivation to benefit from training programmes.
- *The lack of civil participation.* The concept of an active civil society is not widely understood. Consequently, there is distrust of both centrally and locally elected institutions, since the decisions taken by local and municipal government departments rarely correspond to the perceived needs of local communities. The pervasive distrust of politically manipulated municipal councils reflects the frustrations of powerless communities to influence the serious flaws in the delivery of services. Although a culture of authoritarian management styles is a general inheritance from past government structures, authoritarian decisions are more pronounced in some municipalities and communities than in others.

Given before mentioned situation, municipalities in Serbia recognized the need for development of a Local Sustainable Development Strategy (LSDS) in Serbia as a strategic platform for more concrete activities in the future. This was the background for the vitalization of



the co-operation between the Norwegian Association of Local and Regional Authorities (KS) and the Standing Conference of Towns and Municipalities (SKGO) in 2003 which led to the establishment of the Program for Environmental Protection and Sustainable Development in Serbian Towns and Municipalities (2004-2007).

The co-operation between the KS and SKGO was a logical continuation of the support offered to Serbian local authorities by the Norwegian Government, Norwegian NGO, municipalities, and citizens. It has its roots in the long standing friendship between the two nations and the already existing twinning links between towns and municipalities of two countries. A part of this co-operation was the preparation of Program for Environmental Protection and Sustainable Development in Serbian Towns and Municipalities (2004-2006). The Program was initiated by both the KS and the SKGO, as the result of the awareness of the two associations of the fact that, through joint action, they can substantially help improvement of overall living conditions in Serbian towns and municipalities and in the same time promote friendship between the two nations. Overall goal of this 1.1 million € program was to improve quality of life in Serbian local communities, by obtaining better environmental conditions and enabling local governments, as well as national government, to define and pursue policies of sustainability in the future development of Serbian towns and municipalities. To obtain above-mentioned goal, the purpose of the programme was to enable the SKGO, as the national association of Serbian local authorities, to provide adequate support to its member municipalities and to competently represent their interests in front of the central government. Such purpose had to be obtained by increasing the expertise of the SKGO to address the issues related to environmental protection and SD, so that it could provide advice and consulting services to its members, as well as to be able to participate in discussions with Central Government and to influence the legislation.

A major milestone in the program was the adoption of the LSDS [11] at the National Conference on Local Sustainable Development in Belgrade in May 2005. The strategy was prepared through a very thorough process involving all Serbian municipalities and was also based on a preliminary analysis made by the Program [12]. The conference was attended by the Serbian president and several Serbian ministers as well as foreign representatives and representatives of most Serbian municipalities.

The Strategy was meant to be a strategic framework aimed at introducing the principles and practices of sustainability in governance and overall functioning of Serbian towns and municipalities. This should also provide strategic directions for future local strategies in the municipalities.

SKGO project team developed the participatory planning methodology [13-16] and established an Inter-Committee Group (ICG) as a main stakeholder group for strategy formulation (fig. 1). The ICG was constituted of representatives from central government, municipalities, the National council for sustainable development, business associations and the national team for Poverty Reduction Strategy (PRS). Although skeptical at the beginning, the representatives from various Ministries, slowly but surely, pledged their full commitment towards the Program. The ICG thus represented a "crossover" approach well suited for the sustainability challenge.

After the initial ICG meeting the project team performed a field work study aimed at making an initial assessment of environment and SD situation in Serbian cities and municipalities [12]. This assessment (September 2004) was a platform for ICG discussions which led to first LSDS draft (December 2004). ICG held three workshops on strategy formulation in the au-

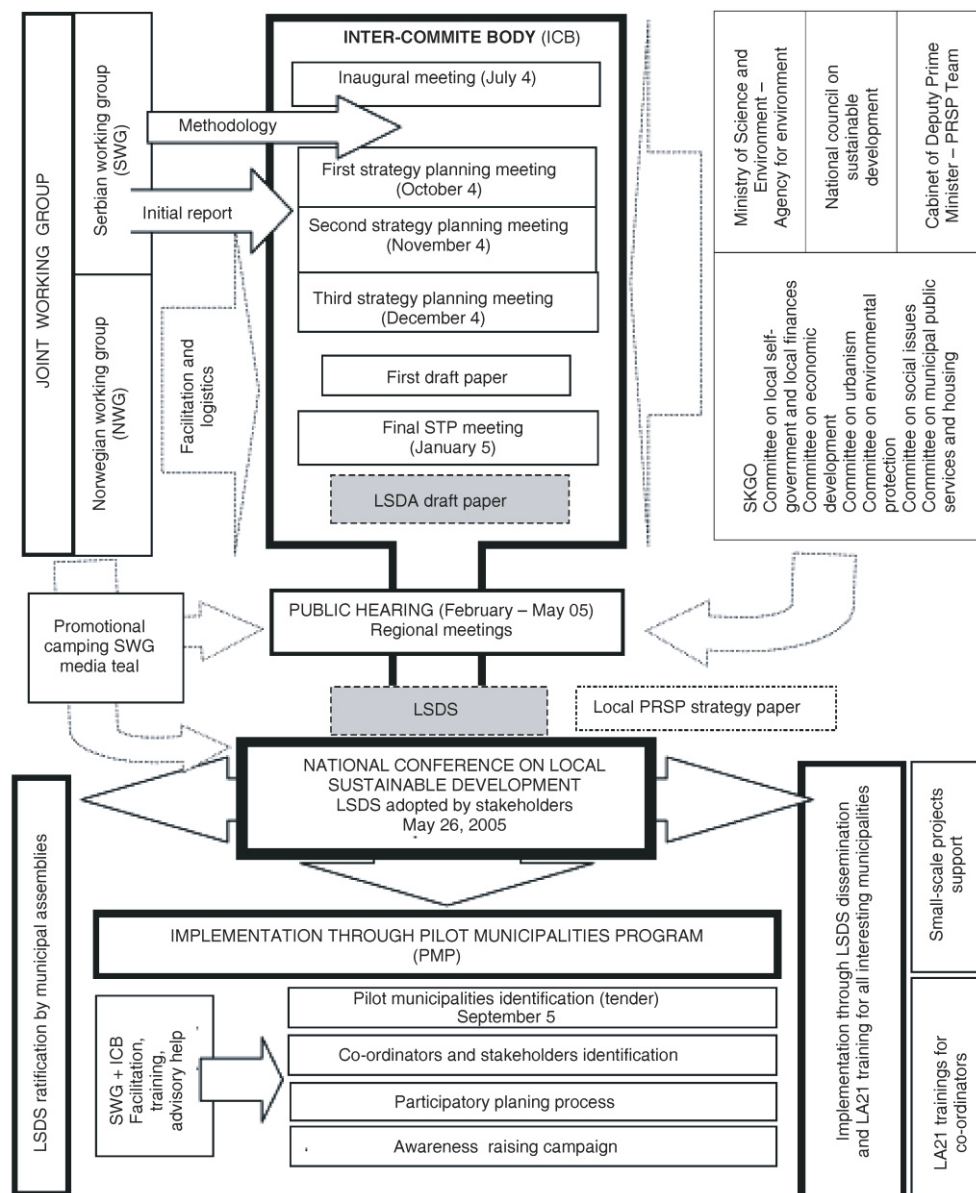


Figure 1. LSDS formulation flowchart

tumn of 2004 including one during the study tour for all ICG members to Norway (November 2004).

The final LSDS draft was completed in January 2005. A set of public discussion about LSDS draft followed in March and April 2005. Ten regional meetings were organized in regional centers all over Serbia (Piroć, Leskovac, Kragujevac, Bor, Čačak, Valjevo, Pančev, Novi Sad, Subotica, and Belgrade). In addition a national meeting was held with representatives

from the ministries of Science and Environment, Finance and Economy, Public Administration and Local Self-Government, International Economic Relations and the Ministry of Labor, Employment and Social Affairs as well as all major foreign and international partners (development and donor agencies involved in Serbia). In addition the Secretary to the National Council for Sustainable Development and the President of the Parliamentary Committee on Environmental Protection participated.

The major milestone in the LSDS work was its adoption at the 1<sup>st</sup> National Conference of Local Sustainable Development in Serbia held in Belgrade (which in itself was a new institution) in May 2005. Significant support at the Conference was made by participation of the President of Serbia, the Minister of Finance, the Minister for Foreign Economic Relations, and many other central government representatives. Conference participants adopted by the consensus the Declaration on local sustainable development as joint commitment for strategic orientation toward a more sustainable development in Serbia. Almost 100 out of 167 Serbian municipalities and the members of business and civil society participated and made a significant input. Part of the Conference had a knowledge sharing purpose: three workshops were organized, with international and regional experts in the field of local sustainability.

Local governments in Serbia agreed to join their efforts in order to attain the following vision [11]:

Cities and municipalities of Serbia develop in accordance with the principles of sustainable development, through:

- development of participative democracy,
- efficient and effective management,
- taking over the responsibility for protection, preservation and ensuring equal approach to the common natural resources,
- rational management of resources, whereby a sustainable production and consumption is achieved,
- creation of positive economic environment and employment capacity, in accordance with the environmental protection principles,
- urban planning that meets the needs of creation of social, economic and environmental standards, and
- promoting sustainable patterns of life, health, and benefit to the citizens, inclusive of all community processes.

To obtain this vision, municipalities in Serbia have to achieve number of goals, drafted in LSDS. Goals are classified in six thematic areas – infrastructure, spatial and urban planning, economic development and employment, social development, environment and poverty reduction. LSDS developed more specific activities to be undertaken to achieve those goals, delegate responsibilities and set time – frame (short, medium and long-term activities).

The LSDS formulation process brought together more than 300 participants from national and local level, of which 40 were directly involved in participatory through a strategy formulation team. The process was thus an approach with a top-down as well as a bottom up perspective, which proved to be a very fruitful combination.

A follow-up conference on local SD was organized in Belgrade in March 2006. The aim was to address important issues to different stakeholders (central and local level, business community, NGO, *etc.*). The Conference also sought to define the relation between different approaches and sustainability initiatives in Serbia and thus to unifying different processes. Furthermore the Conference also aimed to clarify methodological issues in pilot municipalities.



Moreover, the Conference brought together key actors of national strategic planning processes with local representatives. This event was of significant importance for the strengthening of national process and for the inclusion of local actors in overall process. Significant support was made from the Vice Prime Minister of the Government of Serbia, who participated at the Conference.

### **Local sustainable development planning exercises**

After finalizing the strategy, the implementation phase of the Program was initiated at late summer of 2005. The project team developed a pilot project aimed to cover some Serbian municipalities, ready to start strategic planning process of local sustainability (LA-21). Through these pilot project the LSDS should have been operational on the local level.

The overall aim of the pilots effort was to support the development of local sustainable strategies in Serbian municipalities through capacity building activities, coaching, and knowledge dissemination.

Five pilot municipalities were first selected through an open tender procedure. Due to proactive attitudes two more municipalities were included as pilot municipalities. Important selection criteria were selection of municipalities with different size and different level of development so that the concept of participatory planning could be tested in different contexts and necessary adjustments made. As the selection process also included an awareness rising campaign the result was that so many as 95 municipalities applied for participation. To further strengthen the pilot project, it was agreed to include two more municipalities as pilots.

In each pilot municipality one or more municipal forums were set up. These forums had the main responsibilities for the strategy process in each municipality. Members of the forum were elected by the municipal assemblies. In this sense, the LSDS planning process, as a holistic and non-institutionalized body, were incorporated in official municipal planning and decision making procedures. The project team provided consultant support for pilot municipalities in the identification of local stakeholders participating in the municipal forums and also in action planning training.

Special attention was paid on carrying out training activities in the pilot municipalities. The aim of such activities was to give facilitators and members of the municipal forums the necessary knowledge about strategic planning processes, as well as to build the consensus regarding future steps in each of the pilots (which all have to find their unique way to do thing within the same basic approach).

During the strategy formulation process pilot municipalities developed a comprehensive and integrated approach to assess the current local development situation, including equality achievements and gender awareness, socio-economic, environmental, and institutional factors. It also included identification of the most vulnerable population groups.

More than 500 persons have been directly included in local strategic planning processes in the pilots through the engagement in municipal forums and working groups. Also the local processes gained the momentum through introducing team building activities among the participants. The broad involvement has also contributed to consensus regarding local priorities.

Apart from this initiative, number of municipalities in Serbia initiated their own LA21 strategic planning processes. Most of it was project – oriented and funded by donor programs (for example, Swiss based Municipal Support Program in Central Serbia, UNDP based MIR II Program in South Serbia, MSP PRO Program in South-West Serbia, SKGO program in

Vojvodina, and more). Currently, EC funded EXCHANGE II Program helps to develop municipal SD strategies in 20 municipalities across Serbia. In addition, some municipalities developed local SD strategies by their own, following LSDS and the above mentioned methodology (Zrenjanin and Ada, for example). As a conclusion, by the end of 2008, some 30% of municipalities in Serbia are in the process of LSDS implementation, and some 15% are in drafting phase. Given National Sustainable Development Strategy of Serbia was recently adopted by the Government (May 2008), SD movement in Serbia has solid foundation for fruitful results.

### **The analysis of local sustainable development strategies in Serbia**

Analysis of local SD planning and strategic documents in Serbia was performed during September 2009, on the sample of 10 municipalities in Western Serbia. The analysis found that almost all municipalities have some kind of SD strategic document (SD strategy or at least local environmental action plan – LEAP), or other sectorial strategy or action plan that can provide starting point and must be included into local SD strategy. Majority of those planning processes were performed participatory, as a team exercise of local self-government employees and experts, but in some cases experts or consulting firms were hired to prepare strategic document.

Analysis of local planning processes shows significant differences among municipalities. Using mainly capacity building trainings and donors' projects, some municipalities increase quality of human resources in the areas of strategic planning and project preparation and management. There is a strong correlation of the size of the municipality and their level of preparedness for strategic planning in all three countries.

Although participatory planning methodology is widely used, a variety of different methodologies is still in use for developmental planning: from those exclusively based on the engagement of consultants to those exclusively based on civic participation. There is (still) no unified methodology for local sustainable planning, although some efforts were made to develop such methodology. Moreover, above mentioned SCTM Program on Local Sustainable Development in Serbia has been developed a participatory planning methodology for LSD strategic planning, followed by methodological textbooks.

In some cases adopted strategic plans are not revised during the time. As a rule, full planning cycle, including planning, implementation, monitoring, evaluation, and revision was rarely followed.

In most cases strategic plans are lacking action plans, so strategy never becomes implementable. In some cases strategies are expansion of vision without connection to the real resources that local self-government will have in a certain period of time. In cases where we can observe methodologically correct prepared action plans the biggest oversight can be noticed at the planned budget. Budgets are mainly addressed to the central government and donors, without looking into reasonable budget of both local and central level.

There is no co-ordination among papers adopted in the municipality, so it is not a rare case where priorities of a small municipality, according to its strategic documents, are organic food, heavy industry and tourism at the same time at the same location.

Implementation, together with monitoring and control is the weakest point of strategic planning. In most cases local development does not follow any of the strategies or plans, but it is a result of current political issues, donors' focuses as a part of bigger projects. In the process of

budget preparation no consultancy is made, so usually none of the projects from the action plan is included into funding for the year to come. Monitoring and control in most cases do not exist.

In general, local sustainable development planning in Serbia can be characterised as ascending process with following shortcomings and deficiencies:

- there is insufficient awareness and understanding of why strategies are needed and their benefits; only around a third of strategies are fully integrated plans (rather than, for example, single issue plans),
- in particular, current plans do not take account of monitoring, evaluation and reporting,
- there is a low rate of citizen and business participation in the planning process,
- planning does not necessarily lead to implementation, as the mechanism for action planning is missing, there are inadequate links to municipal budgeting, and insufficient capacity in human resources,
- a consistent framework for municipal planning needs to be developed which reflects the full “programming cycle” – planning, implementation, monitoring, evaluation, feeding into re-design of plans,
- there is a lack of connection between central and local government in planning, on both sides, and
- given donors are key drivers of municipal planning, there needs to be more effective donor co-ordination.

## Conclusions and recommendations

Apart from other SD efforts (introduction of new environmental regulatory framework and NSDS formulation and implementation, before all), achievements so far in Serbian local SD planning should be seen as important step in SD practice in Serbia. The employed methodology has established radically new participatory decision making mechanism in the municipalities involved. The consultative processes within the community have also been a kind of “learning by doing” work. It seems to have been an emerging openness in municipal thinking and acting. The establishment of strategic planning mechanisms has met the need for participatory, non-discriminatory and transparent processes. The sense of “community ownership” of the local sustainable development strategies has been strengthened by the consensus regarding forum members’ appointment. The compositions of the forums have proven to be representative and the committees function as a legitimate as well as an effective link to the communities.

What were the key benefits for Serbian local self-government engaged in LSDS? Most advanced municipalities being engaged in strategic planning started to implement a new style of public management – ecosystem management. Overall process helped them to start creation of a flexible and adaptable institutional framework that guarantees the engagement of all members of the society or social agents interested in decision taking process, the fair access to the benefits of development activities, the management of conflict of interests and finding fair solution to these. Moreover, local public authorities made them more suitable for the financing of community development projects from the European Union funding. Finally, some municipalities created the structures to follow up and evaluate the implementation of Local sustainable strategies using SD indicators.

On the other hand, local strategic planning is fragmented and still donor driven. The proliferation of strategic planning exercises may be observed in bigger municipalities in Serbia. The co-ordination between the central, regional and local level remains low as well as the co-or-

dination between donors. There is sometimes a poor correlation between strategic goals, priorities, and activities drafted in different documents. Strategic planning teams within municipalities rather are introduced as *ad hoc* groups, tailored for the specific strategic planning process and without influence on the modes and processes of implementation. That leads to the serious problems in the implementation phase. Smaller municipalities anyway do not have a critical mass of competent people for both processes – the development of the strategy and the implementation.

Municipalities appreciate very much strategic approach on local development and testify their willingness to participate in such processes. The recognition of participatory planning and the necessity of community involvement are evident among mayors and administrative staff. Bigger municipalities already have developed structures and instruments for participatory planning and good co-operation with civil sector. In contrary, municipalities still lack the critical mass of knowledge and expertise for efficient and effective strategic planning exercises. More training is needed, especially for the employees in the municipalities, but for all stakeholders as well.

Sustainable development is not recognised well as a concept throughout the communities in Serbia. When talking about sustainability, majority of interviewed persons refer on environmental protection and lack the other dimensions of sustainability. It is particularly observed through the missing link between economic growth and sustainable development. The culture of participation in the processes of strategic planning and decision making in the region still remains insufficient, despite wide and proven adoption of participatory planning methodology.

In spite of evident efforts being made, activities in local SD analysed so far clearly indicated that mutual co-ordination of included authorities and actors (municipalities, central governments, associations of local governments and international developmental agencies) is lacking. This often led to different planning approaches and methodologies, and, moreover, duplication of the implementation of activities at local level. On the other hand, municipalities were not encouraged to communicate and to co-operate mutually, both on the territorial principle or according the interests.

In general, more open and democratic processes will strengthen the need for parallel development of the political and administrative systems/cultures in the municipalities. Organizational development processes in the municipalities will therefore have to focus on the interplay between political forum, the administrative system, *ad hoc* forums (such as the municipal forums established in pilot municipalities) and other relevant actors. For example there is a challenge to ensure that the spirit of decentralization and democratization does not stop in the mayor's office. This implies a need to focus on how the traditional way of thinking with local government (as a kind of small scale version of central Government based on the same organizing principles) can be turned into what is often called governance. Such a turn will focus on the need for vertical (local – central) and well as horizontal (with different local stakeholders and networking with other municipalities) processes.

A basic challenge and maybe also a threat for further work in municipalities that have finalized strategic planning processes is the gap between goals and expectation and available financial resources. There is a considerable gap between goals and expectations based on long-term plans and (annual) investment programs prepared by the municipalities. In this respect there is a substantial challenge which can be summarized as follows:

working on balancing the importance of visions and goals with need to be realistic when it comes to financing,

the need to work systematically with project financing combining own resources, national funding and EU/donor funding, and making use of other available resources such as *pro bona work*, use of local knowledge and physical resources available.

Logical continuation of the strategy processes will be the formulation of specific (sectorial) action plans and programs. These programs could have focus on urban development, housing, innovation, transport, water management, *etc.* Sectorial programs with, which might be carried out anyway, can benefit from a LA21 approach, regarding the process as well as the outputs.

Presently, there is no central government mechanisms for the financing such priorities. Municipalities with adopted strategic plans can thus not (yet) draw advantage from any form of municipal transfer schemes. On the other hand pilot municipalities and other local front runners, will often come up with better ideas and more convincing way of argue for project financing.

Most of the municipalities lack the internal capacity to develop programs and projects (at least according to the EU requirements). There is a need to help the municipalities in setting up and implementing such projects. Skills like project proposal writing, budgeting, monitoring and reporting, fund raising still remains insufficient in analysed municipalities, particularly in underdeveloped ones. In addition, although engaged in strategy drafting, public discussions, and communication of the strategy within the community, planning teams, and stakeholders as a rule do not participate in the implementation phase.

In addition, local self governments have significant responsibilities in the implementation of NSDS. Municipalities should be adequately and on time informed about such roles and responsibilities. Possible role of programs and institutions involved in local sustainable development planning include providing information about national initiatives and processes, and particularly the roles and responsibilities of local authorities. In addition, measures and activities, drafted in NSDS can significantly help local planning teams in drafting LSDS.

But, apart from legislation and strategic initiatives, change in individual civil servants' habits is necessary. It is also necessary to regulate political bargains and agreements concerning politico-administrative relationships. Possible obstacles include a lack of awareness on behalf of citizens, a general, unquestioning belief or acceptance in government (as an unchangeable, superior entity), the culture of secrecy within public administration, the lack of resources, the absence of specific skills in the public sector, limited independent media and technology, and cultural barriers.

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