



SDC – Democratization, Decentralization and Local Governance Network
Western Balkan Division

Municipal and Decentralized Budget Support Capitalization Paper

This draft has been elaborated based on past and running SDC funded budget support programs for municipalities in Nicaragua, Honduras, Mali and Serbia, and based on the standard good practice guide for decentralized budget support of UNDCF. A –shortened - version of this paper will serve as an annexe/background document for SDCs new Policy Document in Democratization, Decentralisation and Local Governance, as per mandate of SDCs management to all thematic networks. A consultation of the draft DDLG policy paper is scheduled for autumn 2014. A list of planned municipal budget support programs in the Western Balkans is included as well;

1. Why municipal and decentralized budget support?

Municipal and/or decentralized budget support (MBS/DBS) is an option for municipalities with a clear strategy for reform and development, and political willingness for change in the interest of all citizens. MBS/DBS is **highly relevant**, as they match domestic priorities and directly respond to the needs of local governments.

MBS/DBS places the **responsibility for reform on the recipient municipality**. In a context where municipalities are (strongly) underfunded compared to the responsibilities attributed, but play an important role in democratization and quality service delivery due to their close exposure to citizen, MBS/DBS providing discretionary funding is also an investment into the key rationale of decentralization;

Municipal budget support provides means for the **implementation of municipal development plans** that have been drafted in a participatory process, and approved by municipal parliaments. Amended with a performance oriented component, MBS/DBS can create an **incentive to advance specific governance reform**, supported by targeted technical assistance;

Continuous assessment of MBS/DBS, mitigation and safeguard measures, must assure that reform opportunities related to municipal budget support outweigh risks such as the fungibility of development resources or weak expenditure control mechanisms.

2. Definitions: Municipal and decentralized budget support

Roughly speaking, there are two forms of budget support beneficial to municipalities: decentralized budget support through central government, and direct municipal budget support. In both cases minimal eligibility criteria need to be fulfilled.

Decentralised budget support is provided towards municipalities **along the central to local government transfer system**. It is a top up of the – generally insufficient – resources (compared to decentralized responsibilities) conditional to the criteria set by central government, possibly amended by additional and specific performance criteria to advance a specific governance reform, mutually agreed between central and local government.

This approach starts from the assumption that the central to local government transfer system is **adequate** in its design, implemented fairly and independently of the political affiliation of the mayor, and that central government's role in supervision of local government is of an enabling rather than a straight jacketing one.

Municipal budget support allocates funding from the donor directly on to municipal budgets. Municipal budget support can be understood as a top up of discretionary own source revenue (if the central to local government transfer system is considered inadequate in its design or implementation, MBS can also be considered as a proxy for the central to local transfer system). Criteria for MBS therefore are orientated based on the municipal criteria on municipal investments from own source revenue, or from the discretionary part of the central to local government transfer.

In most MBS/DBS arrangements, LGs need to show that they have complied with **Minimum Conditions (MCs) in order to receive budget support**. MCs which are either complied with or not, are intended to measure the capacity of a given LG to perform its basic functions. Unless LGs can demonstrate this performance, they are unable to access budget support. Many MCs are reflecting good governance standards and designed as basic safeguards to bring down fiduciary risks to an acceptable level.

Many MBS/DBS arrangements however, go one step further – by either **increasing or decreasing the size of budget support** in relation to the **assessed performance of LGs**. This performance is usually based on assessing pre-determined and agreed performance indicators.

Internationally, also **different terminologies** are used than “municipal” and “decentralized” budget support, namely performance based grant systems (corresponding to performance based municipal or decentralized budget support), or contributions to the intergovernmental fiscal transfer schemes (corresponding to decentralized budget support);

3. Strategic Considerations

Municipal and/or decentralized budget support need to contribute to the reduction of poverty, the advancement of democracy and increase of quality in service delivery in line with SDCs overall mandate on a goal/impact level. Budget support can pursue the following different objectives which need to be defined specifically for any planned intervention. It is recommended to enter MBS/DBS with agreed exit criteria from the beginning; in order to generate a common understanding on the objective to be achieved.

Anticipated outcomes of MBS/DBS might be:

- (i) **Increase – generally very scarce - discretionary municipal funding**; Facilitating discretion in decision taking and funding according to the specific needs and priorities of the local constituency corresponds with fulfilling the basic rationale of an efficient and effective decentralization process. Or the other way around: if decentralized government shall contribute to democratization, local government must have sufficient financial means available to fulfill decentralized responsibilities accordingly; Not all forms of decentralized budget support will increase discretionary funding, as some central to local government transfer formulas fully earmark transfers to specific services or recipients;
- (ii) **Create incentives for good governance reforms through a combination of linking the extent of municipal budget support to respective improved municipal performance, and complementary technical assistance**. Such good governance performance criteria shall be context specific, and can range from improved property tax collection to develop an accountability relationship between citizens and local governments, to rewarding inter municipal cooperation to overcome political and other development hindering societal divides. In decentralized budget support, better municipal performance should ideally be rewarded

- with both an increase of central government's own transfers to municipalities, as well as the topping up of the transfer by donors.
- (iii) **Increase predictability of municipal finance**, allowing larger and longer term development investments without putting the municipality at risk of payment arrears or getting indebted; In many development and transitional countries, the intergovernmental transfer system is highly unpredictable and dependent on political party patronage (municipalities with the same political party leadership as central government receive higher transfers and grant allocations, often against the law);
 - (iv) **Contribute to sustainability**: Rather than building up parallel project implementation structures, municipal budget support through its technical assistance and its high expectations towards municipal budget cycle control mechanisms strengthens domestic institutions. **Budget support receiving municipalities improve their own reporting and auditing mechanisms accountable to the municipal parliament, rather than reporting towards each donor separately.** Through a performance oriented component creating incentives to excel local governance, it is expected that the investment climate will improve and own source revenues from investors will grow, as well as from income tax, if it is shared between national and sub national governments;
 - (v) **Trigger reforms to improve the central to local government transfer systems:** Decentralized budget support can demonstrate that local governments are capable to handle finances efficiently and effectively. In a dialogue between local and central government, as well as donors, this may convince central governments for reforms of the transfer system for it to be more adequate in relation to decentralized responsibilities, more predictable and more transparent.

Objectives of **decentralized municipal budget support** are similar in terms of increasing discretionary funding (i) and predictability (iii), however performance criteria can also be linked to an improvement of the intergovernmental finance system, e.g. in terms of transparency and predictability, which is in the responsibility of central government. Decentralized budget support necessarily needs to be combined with a decentralization and local governance reform dialogue between donors and central government.

The size of the budget support needs to finance **meaningful municipal investments and provide sufficient incentives** for performance improvements. However, in international practice the decisive factor has often been the availability of funds, rather than a more "scientific" way of determining the expenditure needs of LGs versus their revenue potential. An assessment of SDC in the Western Balkans has shown that available SDC budgets might allow to increase discretionary funding of municipalities from 5 to 15%. Below these percentages, the incentive factor seemed questionable, above the available budgets would have limited cooperation to 3 to 4 municipalities, which seemed in countries with up to 100 or more municipalities not to produce a relevant country wide impact on the DLG reform any longer.

Central government with the Ministry of Finance or line ministries with funding responsibilities for municipalities are important partners for decentralized municipal budget support, additional to the municipalities and their associations.

4. Criteria and safeguard measures

Eligibility criteria

- ➔ **Political willingness for positive reform change towards better quality service delivery and good local governance is key.** As this criteria is difficult to measure quantitatively and with limited time only, it can be reasonable to consider municipal budget support only towards

municipalities that have been in a working relationship with SDC for at least a year already. In the course of a project, other municipalities may graduate to qualify for MBS;

- Municipalities must be significantly underfunded in relation to their responsibilities, and strive for more resource mobilization through their own efforts. In order to prevent negative *fungibility* of development funding within municipalities¹, the ***level of discretionary funding of an recipient municipalities must have been stable or increasing*** over recent years; Exceptions to this rule, for reasons beyond the control of the municipality, must be critically reviewed; to prevent control negative fungibility by central government potentially reducing its transfer levels to municipalities as a consequence of MBS, the municipal funding system needs to be transparent and continuously monitored, in cooperation with central government;

Minimum Criteria

- ***Regular and reliable internal and/or external audit process in place and recommendations are followed up by the municipal council and administration, a clean audit in previous years, an effective ICS in place, qualified finance officer or department employed*** will be minimal criteria that need to be fulfilled for SDC to consider municipal budget support. If the political willingness for reform is firm, minimum criteria might be considered fulfilled if and when there are credible efforts towards fully fulfilling these minimum criteria well under well, given that SDC often works in underdeveloped contexts;
- ***In a context of large scale project funding, or non performance based budget support, a performance based decentralized or municipal budget support might lose its relevance;***

Safeguarding measures

Safeguards criteria to avoid contributing to municipal investments that have been decided in a participatory way but are against SDC values might be considered. Cases SDC could be faced with are the construction and running of ethnically divided schools based on the separate language argument, or building walls between two communities areas based on safety argumentations. Earmarking budget support for selected municipal sector reforms, or framing it within known municipal development plans might be useful safeguarding measures in line with the concept of MBS. Also negative criteria such as no funding of running costs or salaries through MBS can be considered;

5. Technical Assistance and Performance based budget support

Technical assistance with municipal or decentralized budget support is context specific, but can e.g. focus on the following ***reform priorities***:

- Principles of ***good governance are increasingly applied along all stages of the municipal budget cycle*** (performance based criteria); *In most cases a reliable audit of the municipal budget will however be a minimum criteria for municipal budget support;*
- The ***accountability relationship between citizens, the municipal council and local government*** is further developed (performance based criteria). This can e.g. include support to widen the base of the property tax and to establish a fiduciary contract between more citizens and their local governments; *a participatively elaborated and municipal parliament approved municipal development plan will in many cases be an eligibility criteria for municipal budget support;*

¹ e.g. municipalities allocating more of their own resources to salaries rather than investments as a result of donor funded budget support availability;

- ➔ **Municipal Resource Mobilization** in response to strong underfunding of municipalities in many development and transitional countries. Quality primary and secondary education e.g. cost about 3% of GDP, while many municipalities in developing or transitional contexts have funding equivalent of less or hardly 3% of GDP available for all their responsibilities. SDC supports municipalities in generating more own source revenues and investing resources efficiently and effectively, but also with municipal associations for adequate municipal finance laws and with all stakeholders for a more transparent and predictable municipal finance system. It is important that adequate funding for municipalities can be reconciled with macroeconomic stability (sustainable debt) and an enabling business environment (limiting municipal fees);
- ➔ **Inter municipal cooperation for economies of scale and/or overcoming political, ethnic and other societal divides.** An illustrative example originates from Hungary, where many municipalities were considered too small to do expensive investments into municipal infrastructure or service delivery on their own; the ruling party at the time however did not have the necessary 2/3 majority for a municipal territorial reform (merging small municipalities). Instead, government introduced a higher “service unit cost compensation” to municipalities who provided services through an inter municipal cooperation agreement. This incentive turned out to be very effective;

Progress in any of these dimensions – if minimum criteria are fulfilled - can be linked to additional variable tranches of budget support to build a performance based budget support. Performance criteria can build on well established international governance concepts (e.g. five principles of good governance), regional benchmarks (e.g. the Council of Europe’s Charter on Local Self Government), on national legislation (law on municipal finance) or local legislation (property tax) or correspond with local or regional specific municipal development challenges;

6. Monitoring and evaluation

It is essential that **eligibility criteria** for budget support and **performance criteria** for variable tranches of budget support are **negotiated between SDC and the potential beneficiaries**, and an agreement on a common and fully transparent - potentially independent - monitoring system is found, to create common ownership and reduce incentives to undermine the cooperation by fake reform efforts or falsified performance measurements.

Municipal budget support **does not require less, but different monitoring and control mechanisms than project cooperation**. Monitoring and control relies on domestic mechanisms such as the external and internal municipal audit, and monitoring systems of the municipalities, the municipal association and/or the ministry responsible for the decentralization reform.

It is essential that municipalities have **ownership in the monitoring** system and if several monitoring system are applied by central and local governments, different sources are triangulated for an objective result reporting. If domestic monitoring systems are inadequate, SDC – with or without other donor support – might require technical support to improve the monitoring and control systems of the municipal budget cycle. Citizen satisfaction reviews might be useful complementary monitoring instruments on an outcome/impact level, however they are also very costly and might require a multi donor financing,

ANNEX: SDCs experience with Municipal and decentralized budget support


Municipal Budget Support programs funded by SDC under implementation

Country	Approach/Results
<p>Municipal Economic Development Eastern Serbia GIZ (co-funded SDC) 2013-2016 Budget: CHF 3.5 mio</p>	<p>Minimum Criteria: 9 partner municipalities geographically belonging to underdeveloped region of Eastern Serbia which have demonstrated political willingness to be a part of performance based project supported by SDC-BMZ and implemented by GIZ (all are former partner municipalities of GIZ);</p> <p>Performance Criteria: Widening the property tax base and increasing the yield of the property tax base as well as demonstrating more efficient property management on the local level;</p> <p>Technical Assistance: support to property tax reform, subnational PFM reform, improved economic development environment, definition of common regional priorities before the central government etc;</p> <p>Model: The model corresponds with municipal budget support, while (in the future) the Ministry of Finance (MoF) will be responsible for performance based allocations to the local budgets; as however in the advisory board the MoF, the Ministry of Public Administration and Local Self Government as well as the Municipal Association is also represented and had an influence on the performance criteria, the model also includes aspects of a decentralized budget support;</p> <p>Outcomes: Results of the increase in of property tax base and yield are in the year one a) increased revenue share from the property tax of physical and legal entities in local government's own revenues and b) Partner municipalities have decreased the number of properties which are outside the municipal property database by 8%, compared to the properties which were registered with the 2011 census; Central Government considers property tax collection performance as an element for the central to local government transfer system, defined in the new municipal finance law, currently under elaboration;</p> <p>Challenges: Difficult to assess the 100% property tax collection threshold, due to incomplete cadasters; political willingness to enforce taxation weakens in the eve of local elections; heavy reliance of local governments on distorted central to local government financial transfer system etc;</p>
<p>Local Governance Program Nicaragua 3rd phase; 2011-2013/2013-2015 Budget: 9 Mio CHF (2013-2015)</p>	<p>Minimum criteria: high compliance in an ex ante audit including aspects of financial management, qualification of staff, accountability mechanisms and citizen participation; MBS is only provided to "strong" municipalities with high ex ante audit compliance; graduation of new partner municipalities to become MBS beneficiaries is foreseen;</p> <p>Performance Criteria: an agreement is signed, including base lines and target values; in case of breach of minimum criteria ore repetitive under performance, MBS is put on hold;</p> <p>Technical Assistance: support to internal budget control mechanism; municipal service delivery;</p> <p>Size: SDCs MBS increased municipal investment budgets by 5 to 9%; Budget support shall be at least 5% of the municipal investment budget in order to ensure a credible influence by the program.</p> <p>Model: The model corresponds with municipal budget support; as however the admissible proportion for investments and current expense is defined by the Budget Transfer Law it includes elements of decentralized budget support, too.</p> <p>Outcomes MBS benefitted 134600 citizens in the previous phase. Basic service delivery has improved measurably; Internal PFM control mechanisms improved, the control mechanisms of the Controller General of the Republic of Nicaragua were adapted based on the findings of the ex ante audits of the budget support recipient municipalities; human resources in investment cycle</p>

	<p>management (project preparation and budgeting, quality control of municipal investments, maintenance of municipal infrastructure) were incapacitated; the PGL/APIM program has resulted to date in improving management ability of 19 municipalities, raising their own revenues by 35%, enhancing pre-investment planning with a leverage of 12 USD by each 1 USD invested and increasing per capita investment from 17 to 30 USD. In the current phase (2013-2015) it is working with a total budget of 9'000'000 CHF in 20 rural municipalities of Nicaragua.</p> <p>Challenges: no municipal development plans, low investment autonomy, no municipal association! To include an additional performance criteria for "improved participation of citizens in the municipal budget planning" has been proposed by SDC HQ recently, given observed shortcomings in citizen participation in the beneficiary municipalities;</p>
<p>Local Governance Program Honduras 3rd phase; 9 Mio SFr. (2013-2015);</p>	<p>Sister project of Nicaragua Local Government Program with Municipal Budget support. However, in Honduras there exist municipal investment plans (not in Nicaragua) -> for details see above;</p> <p>Outcomes MBS managed to increase municipal investment budgets by 5-9% benefitting 53'200 people. Furthermore, the program improved internal control mechanisms of the administration of public finances, and capacitated human resources in investment cycle management; the PGL/APIM program has resulted to date in raising their own revenues (200% in 13 municipalities) in pre-investment (leverage of USD9 per each USD1 invested), and the efficiency indexes in the allocation of resources have improved (per capita investment rose from 61 to 67 USD). In the current phase (2013-2015) it is working with a total budget of 9'000'000 CHF in 20 rural municipalities of Honduras.</p> <p>Challenges: A very high national budget deficit has recently put predictability of the central to local government transfer system at risk;</p>
<p>Mali Decentralized Sector Budget Support 3rd phase 01.08.2011 au 31.07.2015 CHF 3'300'000.- (Phase 3)</p>	<p>Minimum Criteria: La mobilisation de cette enveloppe est soumise à deux types d'exigences: au niveau national, la conclusion positive de la revue annuelle Gouvernements/bailleurs de fonds sur la gestion macroéconomique et le pilotage de la stratégie de lutte contre la pauvreté; au niveau local, l'élaboration et l'approbation par le Comité Local d'Orientation, Coordination et de Suivi des Actions de Développement (CLOCSAD) du cercle, présidé par le Préfet, du plan d'actions de Mini Ankala Kafo discuté préalablement avec ses collectivités territoriales membres. La réalisation de tous les investissements planifiés s'effectue en respectant les règles et procédures publiques de mise en concurrence et de passation des marchés et services.</p> <p>Performance Criteria: Les Conditionnalités et les tranches de décaissements fixes et variables sont régies dans un accord de projet entre le Mali et la DDC. Ces obligations concernent la planification, la budgétisation et la reddition des comptes dans le cadre de procédures publiques transparentes. La mise à disposition des fonds s'effectue par tranches. Chaque nouvelle tranche versée dépend des résultats obtenus lors de la phase précédente et de l'utilisation adéquate des sommes allouées.</p> <p>Size: Peut-être 15 – 80% of the municipal investment budget;</p> <p>Technical Support: support to the elaboration of municipal investment plans; Sur les questions de renforcement des capacités, le programme s'appuiera sur l'expertise de partenaires techniques.</p> <p>Model: The model corresponds with a decentralised sectoral budget support; La DDC, via l'appui budgétaire sectoriel décentralisé, alloue annuellement une enveloppe destinée au financement d'infrastructures économiques de base et l'accompagnement des exploitations agricoles et des gestionnaires privés.</p> <p>Outcome: L'expérience suisse a fait école. En 2011, l'Etat lui-même a mis pour la première fois à son budget 65 milliards de F CFA en faveur des</p>

	<p>communes maliennes. Quant à la Banque Mondiale, elle a décidé d'affecter CHF 49'000'000² à 5 communes urbaines du Mali pour une période de 6 ans à partir de 2012. L'appui budgétaire sectoriel décentralisé révolutionne les modalités de l'aide au développement. Il se présente comme un instrument au service de la construction d'un Etat malien pluriel, plus performant dans la délivrance des services publics de proximité.</p> <p>Challenges: Les évaluations provisoires soulèvent des problèmes classiques de gestion de fonds (contrôle interne, documents de justification, mise en concurrence, etc.)</p>
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Municipal Budget Support programs under preparation in the WBA division

<p>Demos Municipal Development Program Kosovo</p> <p>Credit Proposal to be approved in May 2014</p>  <p>perfbasedMBS DEMOS Kosovo....</p>	<p>Minimum Criteria: Financial statements handed over to Director of Treasury for the year to be assessed; General Auditor could provide opinion for the year to be assessed; Data provided by municipalities for municipal budget support indicators are correct; 100% of annual fee to AKM is paid; Necessary anti corruption measures are undertaken; More than 70% property tax collection for the year to be assessed;</p> <p>Performance Criteria: good performance in the field of service delivery, financial management and downward accountability is rewarded with higher MBS; performance in Financial management, services and democratic checks and balances is measured;</p> <p>Size of MBS: the size is related to the population of municipalities to ensure that the MBS in bigger municipalities has the same proportionate leverage as those in small municipalities. At the same time the size of MBS for small municipalities has been raised to ensure a reasonable minimum. Second, the MBS represent on average more than 20% of the investment budgets that municipalities have available for the services in which DEMOS will work. This ensures that the DEMOS grant has sufficient leverage over these budgets.</p> <p>Technical Support: TS packages to the three sector reforms waste, public space and mobility, as well as good local democracy and good sub national public finance management, including property tax reform; A low performance score gives a municipality access to more TA in order to improve performance.</p> <p>Control: The earmarked on budget sector support (see annex 3) will not be approved ex-ante neither will it have a 100% audit ex-post. DEMOS will rely on the general audit report of a municipality. If there is reason to suspect misuse, DEMOS will do a 100% audit. This is possible because the DEMOS grant will be transferred to a separate municipal account of the Central Treasury (according to the law on public finance). Having the DEMOS grant on a separate account means that the municipal accounting system will be able to produce a list of expenditures financed through the DEMOS account. With this the auditor can then check the regularity of these expenditures (procurement procedures, supporting documentation, inventory of goods purchased, quality of services provided, etc...).</p> <p>Model: Performance based sector municipal budget support, combined with project support administrated on the municipal budget cycle for less advanced municipalities; However, as performance of municipalities is measured through a central government run monitoring system, elements of decentralized budget support are in built, too;</p> <p>Outcomes (anticipated): Transparent, traceable and efficient use of public money; Mobilization of municipal own sources of revenues (OSR), making</p>
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² Programme PACUM – Enveloppe globale CHF 84'000'000, en totale 7 villes moyenne participant au programme, 5 villes soutenues par BM et 2 villes soutenues par la Suisse.

	<p>municipalities more autonomous and more downward accountable to taxpayers; Tangible improvements of public services. Prioritized services are: waste management, public spaces and mobility (local roads, local public transport and traffic regulation); Improvement of local democracy, meaning that local assemblies are more active in discussing local policies and overseeing the executive and public hearings are held as mandated by law and with significant citizen participation.</p> <p>Challenges: not yet known;</p>
<p>Municipal Economic Governance MEG Program BiH</p> <p>Entry Proposal under elaboration May 2014</p>	<p>Minimum Criteria: Municipal Strategic Development plans approved by the municipal council; trusted municipal partners of former SDC projects or of previous MEG phases having demonstrated good governance performance;</p> <p>Performance Criteria: Inter Municipal Cooperation with less experienced municipalities in the management of the municipal sector of “water and environment” within common watershed, across political and other divides;</p> <p>Size of MBS: 5-9% of municipal investment funding;</p> <p>Model: municipal budget support with a performance component;</p> <p>Technical Support: Application of good governance criteria along all stages of the municipal budget and policy cycle; support to water and environmental sector reform; Support to improvement of private sector investment climate, also as a sustainability measure of the municipal budget support (medium term more own source revenues from property tax, local fees, and if and when shared income tax is introduced);</p> <p>Outcome: better services in the municipal environmental sector; increase of domestic and foreign municipal investment by a factor of about 6 times higher than SDC support,</p> <p>Challenges: not yet known;</p>
<p>Macedonia Municipal Council Support</p> <p>Entry Proposal under Elaboration in April 2014; 2015-2019: 5.7 Mio Sfr. (Phase 1);</p>	<p>Minimum Criteria: Proven reform orientation of municipal executive and legislative (partner municipalities chosen by SDC); The initial cluster of municipalities to test the model will be selected by SDC and the implementer. The sample shall include ruling and opposition party run entities alike. The following criteria must be met in order to qualify for the program and budget support: The municipal councils express their explicit interest and commitment for the program; The municipal governments adhere to the program and to the principles of good governance, including transparency, accountability, gender equity and inter-ethnic cooperation; The municipal administrations adhere to the program, have a professional finance management and audit system in place and agree to conduct a baseline financial assessment;</p> <p>Performance Criteria: The pertinence for linking the amount of the municipal budget support to the performance of municipal councils will be assessed during inception. One option considered is to measure your performance related to the two main outcomes of better access to the council by citizens/representation (stage 1,) and oversight of the municipal executive(stage 2). Citizens could be consulted on their legislative for a baseline. Councils – maybe in their networks with the support of the advisors – could then negotiate what improvement would correspond with a 100%, 80%, 60% etc. achievement, also posting this on the webpage of the municipality (corresponding to the “access” outcome). Citizens searching for exchange with their councilors, but also the executive being responsive to the legislative could then contribute to better performance (and consequently receive a larger municipal budget support); identifying the system of measuring baselines and thresholds in and through the networks and in cooperation with citizens, but also making the criteria public could de-politicize this process;</p> <p>Size of MBS: not yet defined;</p> <p>Technical Support: Better reading capacities of municipal councilors of the municipal budget, expenditure and audit report, in cooperation with external advisors and the municipal finance department;</p>

	<p>Outcome (anticipated): Strengthened municipal councils to check and balance the power of the mayor, contribute to a more pluralistic decision-taking and overcome political and ethnic divides; Municipal councils are empowered and able to oversee the work of the local government. Inter municipal council cooperation generates good practice for the municipal legislation and council regulations (oversight); Citizens' interests are better represented by elected councillors of the municipal councils. Citizens have access to their councillors and their needs and concerns are reflected in council decisions (access, representation); Municipal Administrations and mayors are willing and better able to fulfil the supply side of accountability responsibilities; They recognize the council as a partner to increase citizen satisfaction with service delivery and local governance;</p> <p>Challenges: not yet known;</p>
<p>Tax Culture Project TCP (Regional, starting in Kosovo)</p> <p>To be started in February 2015;</p> <p>Contribution of SDC: 60%, 2014 – 2017: ca. 2 Mio (phase 1);</p>	<p>Minimum Criteria: Political commitment of democratically elected officials; municipal audits done by private sector auditors on an annual basis;</p> <p>Performance Criteria: TCP's innovation lies in offering citizens who pay their property taxes in full, vouchers worth 50% to 100% of their property tax bills. The monetary value of the vouchers will be realizable by the local governments of the concerned citizens <i>only</i> after these citizens have voted the vouchers towards publicly discussed municipal investments.</p> <p>Size: In municipalities where the TCP increases property tax collection by 25% to 35%, the combined value of this increase and the vouchers will generate new revenues equal to 15 to 25% of current investment spending;</p> <p>Technical Support: The Fiscal Ethnologies will analyze actual tax payment in relationship to people's attitudes towards local government, the quality of public services, and their understanding of citizenship in order to help democratically elected officials develop contextually appropriate strategies for improving tax compliance.</p> <p>Outcome (expected): In municipalities where the project increases property tax collection by 25% to 35%, the combined value of this increase and the vouchers will generate new revenues equal to 15 to 25% of current investment spending; It is assumed that the project will generate sustainable changes in local tax cultures if the vouchers increase collection rates to approx. 75% as citizens will choose to pay if they believe their neighbors pay.</p> <p>Challenges: not yet known;</p>

<p>Performance Based Grant Support for local Governments; Good practice guide of UNCDF based on 15 case examples</p>	<p>SDC initial compilation on Expertise and examples on budget support to municipalities/districts</p>	<p>SDC Support for Sustainable Local Government Finances – International Practice, Experiences, Challenges and Recommendations</p>	<p>SDC EPA Brief Budget Support</p>	<p>SECO Strategy on Budget Support</p>
<p> PerfBasedGrantS...</p>	<p> Overview municipal budg...</p>	<p> Donor Support to Sustainable M...</p>	<p> epbrief Budgethilfe 02.2009.pdf</p>	<p> Budget_Support...</p>