

LOCAL INCOMES CASE OF SERBIA

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SYSTEM OF LSG

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- Guaranteed by Constitution and Law on LG, Ratified European Charter of LSG
 - Local self-government: the capital city, cities, municipalities and city municipalities/boroughs (they are parts of some cities, not LSGs)
 - Average LG has between 45,000 and 50,000 inhabitants (among the largest in Europe)
 - Structure of competencies: original and delegated
 - Structure of financing: own and shared revenues, transfers from the central government and borrowing

KEY FACTS

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- **Local assembly** – elected by the citizens (30% of candidates must be from a less represented gender, assigning mandates in order of the position on the list)
 - **Mayor** – elected by the Assembly
 - **Municipal Council** – elected by the Assembly
 - **Municipal Administration** – professional service
 - **Local Councils for Inter-ethnic relations** (in multiethnic communities)
 - **Local Ombudsman** (optional)

LSG STRUCTURE

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- Adoption – **statute of LG, development programs, urban planning documents, budget and final account**
- **Local tax administration** (property tax and other original income LSGs) and **public property** management
- Implementation of **human and minority rights and gender equality**
- **Local economic development**, attracting investments and tourism development
- **Communal services** (water supply, district heating, public transport, maintenance of cleanliness of public spaces, wastewater, waste management, cemeteries, lighting, maintenance local streets/roads, etc.)
- Arrangement and use of **construction land, environmental protection and emergencies**
- Providing services of **kindergartens, culture, physical culture, sports**
- Financing and implementation of the part of the costs and services of **primary education, primary health care and social protection**
- Support to **agriculture/rural development and agricultural land management**
- Etc.

LG ORIGINAL COMPETENCIES

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- Tasks that the Republic or Autonomous Provinces entrusts to LSG from the scope of their rights and duties
- Republic has a full control over the performance of entrusted tasks and the obligation to finance entrusted operations
- Examples: keeping birth records and voter lists, inspection jobs

DELEGATED COMPETENCIES

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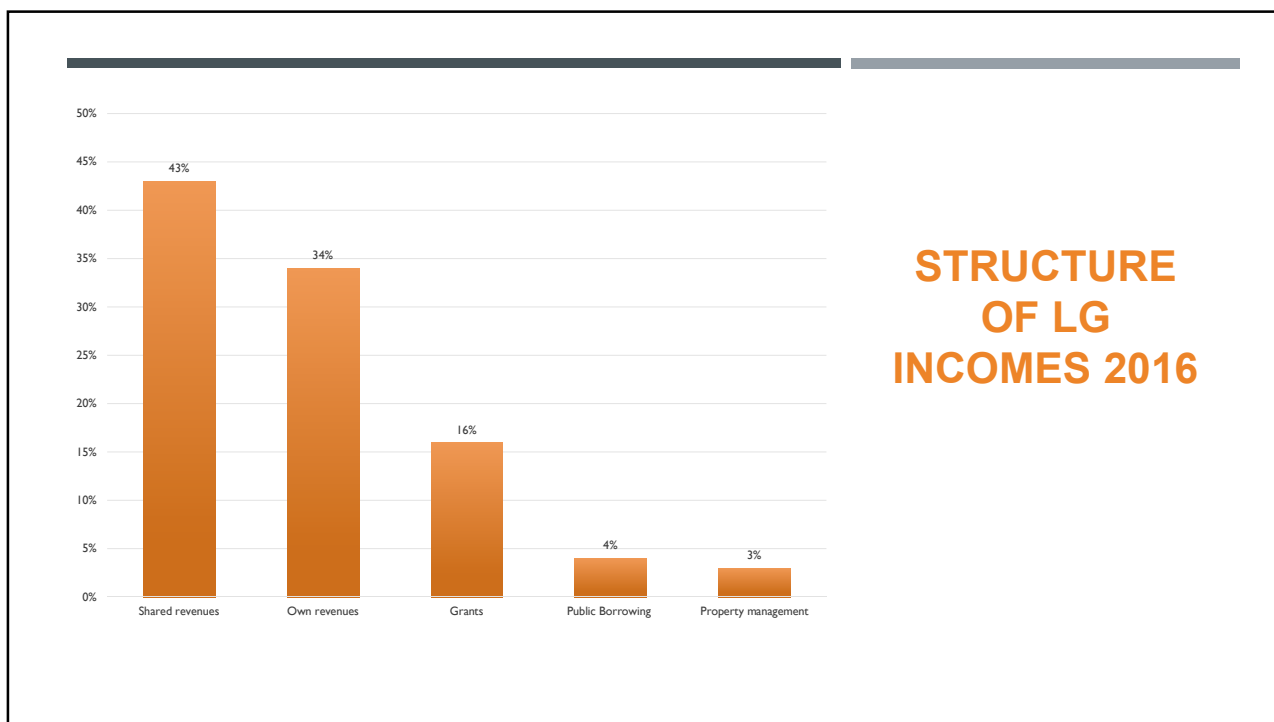
LOCAL INCOMES

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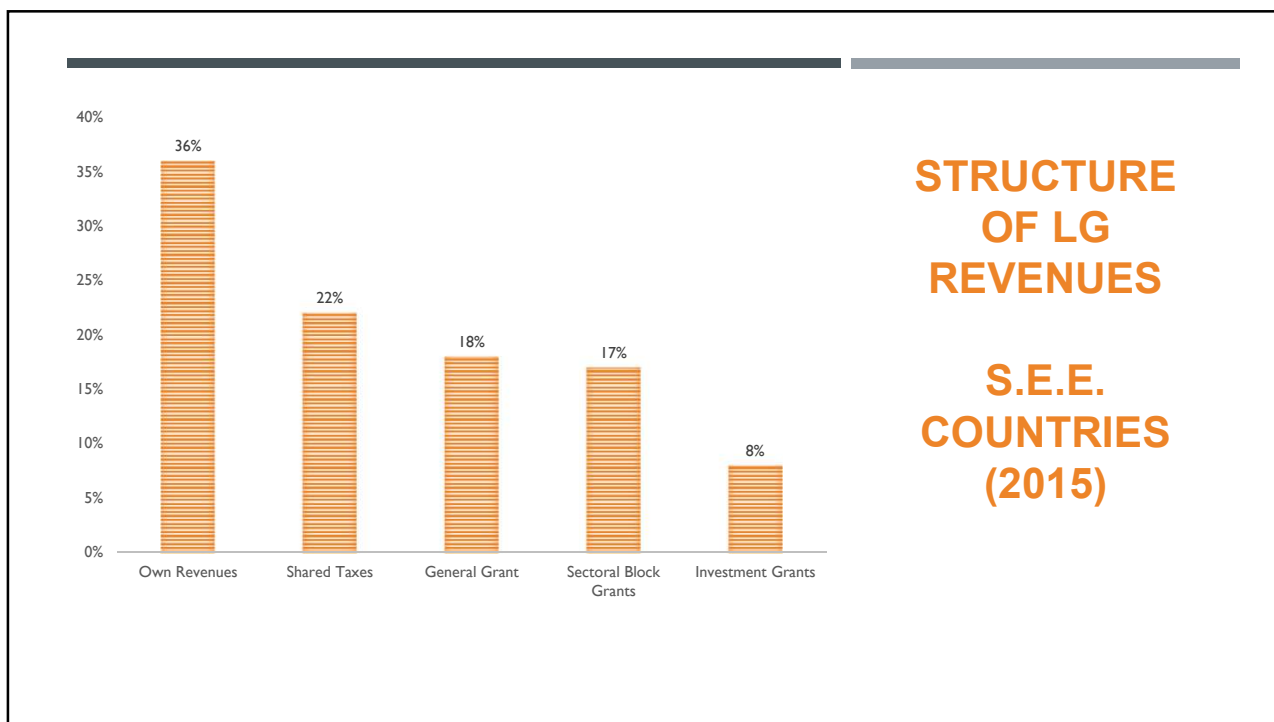
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- **Own revenues** - property tax, local fees, incomes from local public companies, etc.
 - **Shared revenues** – the majority of the wage tax (74% for municipalities, 77% for Cities and 66% for Capital City) the tax on the transfer of absolute rights, other taxes and fees
 - **Transfers/grants from the central budget – unconditional transfer** (include: general grant, equalization grant, solidarity grant, compensation and functional grants) and **conditional/earmarked grants**. Capital City does not receive unconditional transfers.
 - **Public Borrowing** – Loans and Municipal Bonds
 - **Property management**

STRUCTURE OF LOCAL INCOMES

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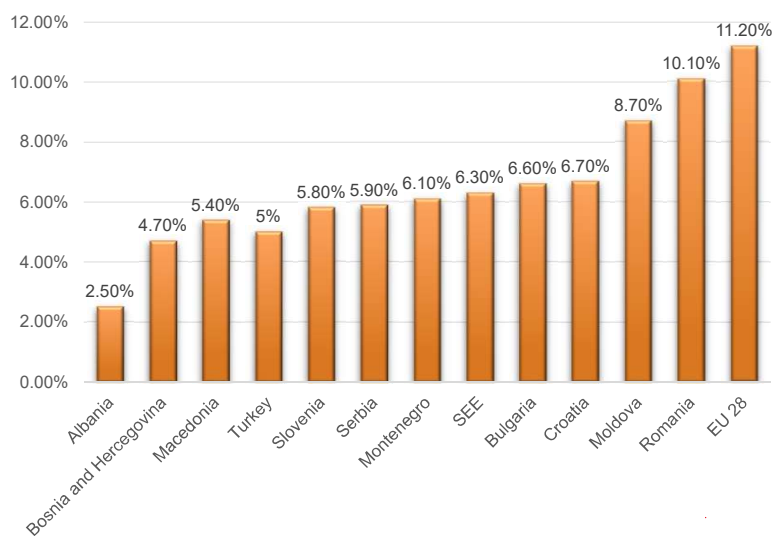


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LG Incomes	2012	2013	2014	2015	2016
Shared Revenues	49%	49%	48%	45%	43%
Own Revenues	29%	29%	30%	33%	34%
Grants	16%	17%	18%	16%	16%
Public Borrowing	5,0%	3,5%	3,7%	4,3%	4,1%
Property management	0,5%	1,5%	0,8%	1,3%	2,9%

STRUCTURE OF LG INCOMES 2012-2016

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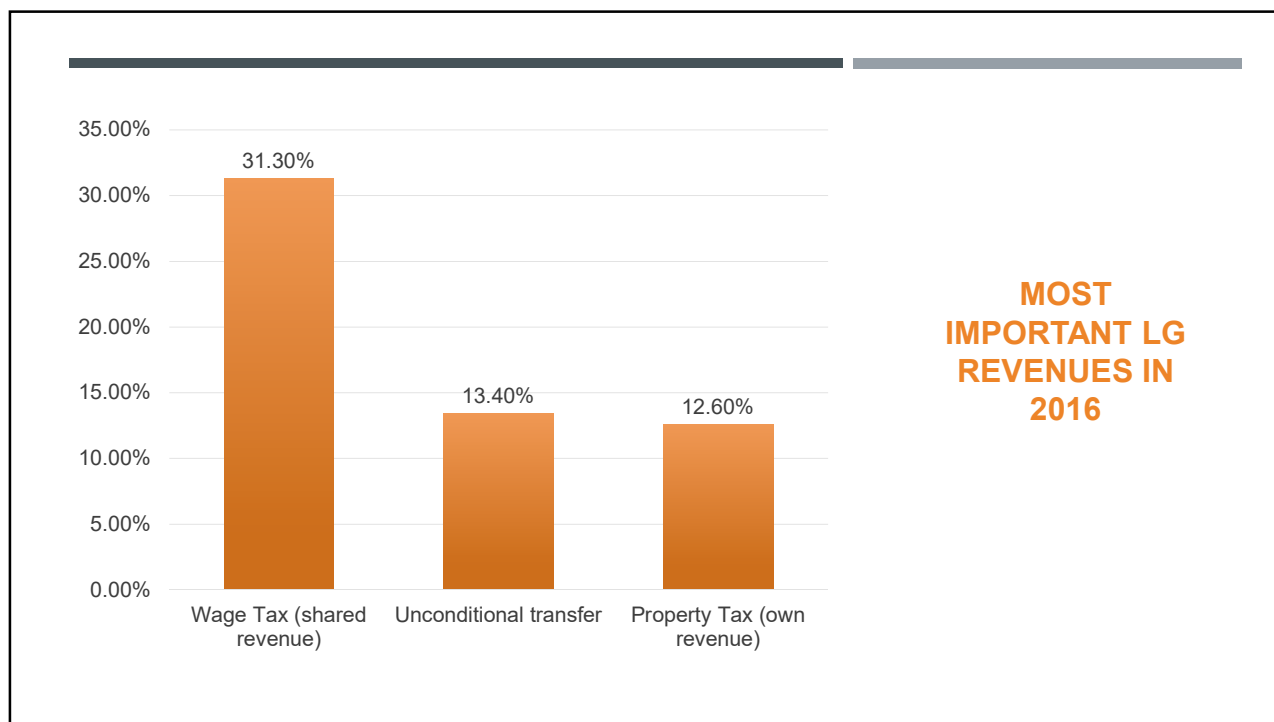
LG REVENUES AS % OF GDP IN 2015

S.E.E. COUNTRIES

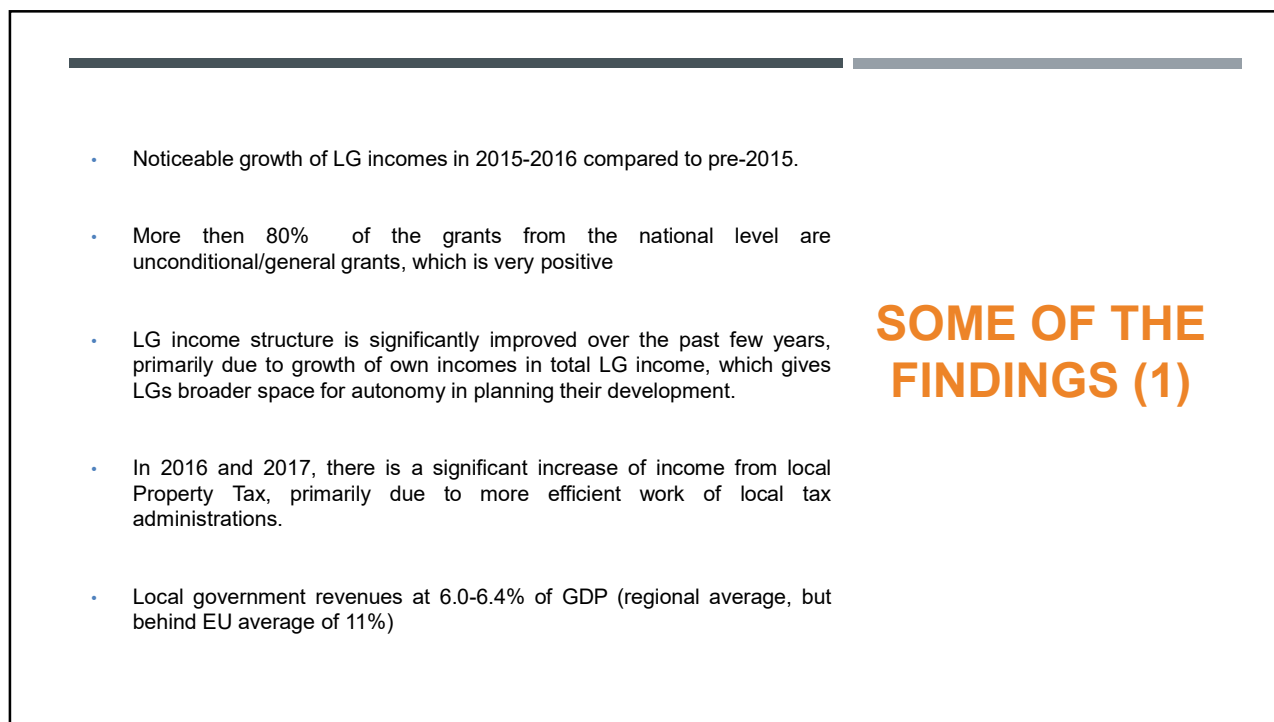
SERBIA

2016 – 6.3%
2017 – 6.4% (est.)

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- Certain horizontal disbalance is present, i.e. larger share of the capital city in income than in population, while it is the opposite for most LGs. An open issue are also the disparities between cities and municipalities in income from transfers per capita, as municipalities receive higher general grants per capita.
- High dependence of a part of LGs on Wage Tax (regulated by the national level) points to deficiencies in the structure of shared taxes and to significant effects of its change on local level.
- Smaller LGs, and especially less developed LGs, largely depend on grants and have lesser income from the Wage Tax.
- Reliability of incomes from shared taxes vs. grants?

SOME OF THE FINDINGS (2)

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SWISS COOPERATION OFFICE SUPPORTING (FISCAL) DECENTRALISATION IN SERBIA

- Investing in local capacity (tapping in third party funding, multiplier effect)
- Cost beneficial interventions (property tax, snowball effect)
- Local economic development through employability (more revenue through the wage tax)
- Supporting the drafting of decentralisation strategy or program document for LG reform in Serbia
- Inter-municipal cooperation pilots (nationwide scale up, incentives for IMC, important for small municipalities)
- Advocacy for (fiscal) decentralisation – SCTM
- Use of and support to local level opportunities

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