

## Quick Response Request Report (April 2020)

**Submitted by:** Association of Albanian Municipalities

**Date:** 13 April 2020

**Topic:** Financial measures on mitigating COVID-19 outbreak

**Background:** While in Albania a vivid debate is happening on the financial support from the central government towards institutions, economic operators and social groups, AAM would like to know what is the respective situation in NALAS members.

### **Brief summary:**

This Quick Response Report provides input from eleven (11) NALAS member Local Government Associations (LGAs).

In most of the economies, specific financial packages of measures have been adopted by the central government in dealing with the crisis. In Montenegro, the estimated amount of proposed measures amounts to 33 million euros. In Turkey, \$15.4 billion dollars have been allocated for this purpose. In Croatia 0,8-1,2 billion euros is the estimated amount. Bulgaria has adopted 4.5 billion BGN (around 2.3 mil EUR) for economic measures. As agreed on EU level, certain amounts from EU funding are redirected for measures to fight COVID-19. With the amendment of the State Budget Law the government of Bulgaria can increase its government debt from 2.2 billion BGN to 10 billion BGN if needed.

In Slovenia, at national level 3 billion of euros are provided on measures against COVID-19. At its 39th session, the Government of the Republic of North Macedonia redistributed roughly 100 million euros for this purpose. In Serbia, the package of measures is worth 5.1 billion euros, which is half of the annual state budget or 11 percent of the GDP. Whereas, approximately 5% of Kosovo's\* total budget has been allocated by the Government as an additional financial measure for undertaking economical-social measures for the situation of Covid-19 pandemic.

The Association of Communes of Romania has not been able to obtain information on the total financial amount, however, a budgetary rectification took place, the Deputy Prime Minister of Romania declaring that in the field of health the budget was supplemented by 3.8 billion lei for health programs, purchases of equipment and sanitary materials, and in the field of labor and social protection, it will be supplemented with 8.1 billion lei, for the payment of technical unemployment.

In Moldova, the Government recently approved an Emergency Ordinance on measures to be taken in order to tackle the consequences of the crisis. These measures approached private sector support and providing allowances to the vulnerable population. However, the ordinance has been declared unconstitutional by the Constitutional court.

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\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

The Government of the Republic of Srpska, BiH has established a Solidarity Fund for the restoration of the Republic of Srpska, from which the necessary medical supplies are procured and the economic remediation is carried out because of the effects of Covid-19 virus. The Government of the Republic of Srpska, by the declared state of emergency, has been empowered to adopt decrees with legal force and has since adopted several measures to mitigate the impact of the crisis.

In most of the region there are announcements for, nonetheless so far no specific financing has been allocated to the local government, with the exception of the following:

- *Kosovo* - In addition to the municipal budgets reallocated for capital investments in separate lines for undertaking measures to combat the spread of Covid-19, the Government of Kosovo has provided 5% of 5% assigned on a national level for the crisis, to be allocated as additional means to municipalities in Kosovo. The criteria are set for how these funds will be allocated to municipalities.
- *Turkey* - According to the Law No 5779 on the Allocation of Shares of General Budget Tax Revenues to Special Provincial Administrations and Municipalities, some public debts of local governments (such as tax debts as well as debts to the Provincial Bank, social security institutions and some other public institutions) can be collected by the Ministry of Finance or Provincial Bank through monthly tax cuts from their shares of general budget tax revenues. These tax cuts from local governments' shares have been suspended for April, May and June 2020 within the scope of combat against COVID-19. As such, additional financing has been provided especially for debtor municipalities.
- *Croatia* - Temporary liquidity loan (unofficial estimate EUR 250 million).

Although no specific financial measures are allocated for the local government, the Union of Municipalities has prepared the document "Proposed Measures to Support Economy fighting the COVID-19 Consequences" and submitted it to the Government of Montenegro. The Union of Municipalities has stated that it is necessary to provide the missing funds in the Equalization Fund for the duration of the measures in order to make regular payments to the municipalities in accordance with the Plan of the Advance Funding of the Equalization Fund for 2020. The Union is still waiting for the response of the Government.

In Slovenia, in the first intervention act, which is valid from 11. 4. 2020, there are no specific legal provisions under which the state would allocate specific financial resources to municipalities to tackle the epidemic. A second intervention act is being drafted; municipalities and associations of municipalities are participating in the preparation within a working group, which prepares emergency measures to stem the epidemic COVID-19 and minimize its consequences for municipalities.

Most of the municipalities in SEE have introduced some kind of measures, some of which are: postponing the payment of taxes and rental payments, announcing payments in instalments, introducing discounts in water charges etc.

*Please refer to the Summary Table as well as the "All responses" Document for more details on adopted measures.*

## Summary of the Quick Response Findings

LGA/APUC, Country	Total financing of the central government in measures against COVID -19 at a national level	What is the financing allocated specifically to local government by the central government	Have local governments approved any kind of fiscal relief for taxpayers
<p><b>UMM, Montenegro</b></p>	<p>The Government of Montenegro prepared 2 packages of measures. The Ministry of Economy estimates that packages are valued app. 33 mil € (1+32 mil €) or 1,6% of 2020 Budget.</p> <p><i>For more details of the allocation of the resources please refer to the full response.</i></p>	<p>None, so far. Nevertheless, the Union of Municipalities prepared the document “Proposed Measures to Support Economy fighting the COVID-19 Consequences” and submitted it to the Government of Montenegro.</p> <p>Union of Municipalities stated that it is necessary to provide the missing funds in the Equalization Fund for the duration of the measures in order to make regular payments to the municipalities in accordance with the Plan of the Advance Funding of the Equalization Fund for 2020. The Union’s still waiting the response of the Government.</p>	<p>The Union of Municipalities of Montenegro in the “Proposed Measures to Support Economy fighting the COVID-19 Consequences” has proposed several measures some of which include:</p> <ul style="list-style-type: none"> <li>-To postpone the payment of surtax to the personal income tax for a period of 90 days, upon the request of tax-payer;</li> <li>-To postpone the payment of the property tax in 2 installments: until 31 August 2020 and 30 November 2020 at the request of tax-payer;</li> <li>-To reduce the amount of the local utility fee determined on the basis of occupation of the public space</li> </ul> <p>Several municipalities have already introduced such measures. Other municipalities preparing themselves for the introduction of similar measures.</p>
<p><b>ACoR, Romania</b></p>	<p>ACoR doesn’t have the information on the total amount of the amounts used by the Government for the measures instituted against COVID-19. However, a budgetary rectification took place, the Deputy Prime Minister of Romania declaring that in the field of health the budget was supplemented by 3.8 billion lei for health</p>	<p>For the moment, ACoR doesn’t have this information.</p>	<p>In Romania, taxes on buildings, land and means of transport are paid in two equal instalments, until March 31, September 30, respectively. In this regard, the Government has issued an emergency ordinance which, for the year 2020, extends the first term until June 30 inclusive.</p>

	<p>programs, purchases of equipment and sanitary materials, and in the field of labor and social protection, it will be supplemented with 8.1 billion lei, for the payment of technical unemployment.</p>		<p>Also, the Romanian law stipulates that for the advance payment of the tax on buildings, due for the whole year by the taxpayers, until March 31 of the respective year, an allowance of up to 10% is granted, established by decision of the Local Council. And this deadline was extended until June 30 inclusive.</p>
<p><b>ALVRS, RS, BiH</b></p>	<p>The Government of the Republic of Srpska has established a Solidarity Fund for the restoration of the Republic of Srpska, from which the necessary medical supplies are procured and the economic remediation is carried out because of the effects of Covid-19 virus.</p> <p>The Government of the Republic of Srpska, by the declared state of emergency , has been empowered to adopt decrees with legal force. On April 10th 2020, the Government of Republic of Srpska adopted a Decree with Legislative Power on Tax Measures to mitigate the economic consequences of Covid-19. This Decree aims to reduce taxpayers' illiquidity caused by the condition. Tax measures include extending the deadline for filing annual returns, extending the deadline for settling tax liabilities, delaying the cancellation of a decision on deferred payment of tax liabilities, and other measures.</p> <p><i>For more details of the allocation of the resources please refer to the full response.</i></p>	<p>So far, there is not much information available on how local authorities react to mitigate the consequences, but there are announcements that primarily relate to the reduction of utility taxes and other local levies during the state of emergency.</p>	<p>/</p>

<b>AKM, Kosovo</b>	<p>In addition to the regular budget, approximately 5% of Kosovo's total budget has been allocated by the Government as an additional financial measure for undertaking economical-social measures for the situation of Covid-19 pandemic.</p>	<p>In addition to the municipal budgets reallocated for capital investments in separate lines for undertaking measures to combat the spread of Covid-19, the Government of Kosovo has provided 5% of 5% of the first point, to be allocated as additional means to municipalities in Kosovo. The criteria are set for how these funds will be allocated to municipalities.</p>	<p>Following the request of the Collegium for Budget and Finance of the Association of Kosovo Municipalities addressed to the Ministry of Finance and Transfers, the latter approved the ban on interest and penalties for all citizens of the Republic of Kosovo for delays in paying property tax until the transition of pandemic.</p>
<b>MMU, Turkey</b>	<p>Total financing of the central government in measures against COVID-19 at national level is approx. \$15.4 billion.</p>	<p>According to the Law No 5779 on the Allocation of Shares of General Budget Tax Revenues to Special Provincial Administrations and Municipalities, some public debts of local governments (such as tax debts as well as debts to the Provincial Bank, social security institutions and some other public institutions) can be collected by the Ministry of Finance or Provincial Bank through monthly tax cuts from their shares of general budget tax revenues. These tax cuts from local governments' shares have been suspended for April, May and June 2020 within the scope of combat against COVID-19. As such, additional financing has been provided especially for debtor municipalities.</p>	<p>Local governments postponed real estate tax payments for three months. Most of local governments either postponed rental payments for certain time periods or made discounts in rental payments. Some local governments have also made discounts in water charges.</p>
<b>CALM, Moldova</b>	<p>The Government recently approved an Emergency Ordinance on measures to be taken in order to tackle the consequences of the crisis. These measures approached private sector support and providing allowances to the vulnerable population. AT the time the ordinance has been declared unconstitutional by the Constitutional court.</p>	<p>None specifically. Above all, government is considering providing exemptions for the private enterprises that will be in fact on the expense of the local authorities. At the same time local authorities are helping from local budget the health care institutions that are in the Central Level competence.</p>	<p>No information available in this regard (Moldova does not have a register of local taxes, information on the tax relief in this respect is not collected at the central level).</p>
<b>AoC, Croatia</b>	<p>There are estimates between 6 and 9 billion HRK (0,8-1,2 billion EUR).</p>	<p>Temporary liquidity loan (unofficial estimate EUR 250 million).</p>	<p>There is wide range of measures from the local self-governmental units, but a lot of them released local</p>

			companies of payments of local taxes. At the moment it is not possible to estimate total value of these measures.
<b>SCTM, Serbia</b>	The package of measures is worth 5.1 billion euros, which is half of the annual state budget or 11 percent of GDP.	For now, there is no financing allocated specifically to the local government.	<p>Same as on the national level:</p> <ul style="list-style-type: none"> <li>- postponement of payment of tax arrears, with a later repayment up to 24 installments without interest, beginning at the earliest in January 2021.</li> <li>- postponement of payment of taxes and contributions on employee salaries and postponement of payment of income tax on self-employed activities for all entrepreneurs.</li> <li>- postponement of payment of income tax advance payments in the second quarter of 2020.</li> <li>- exemption from VAT on donations intended to fight the epidemic.</li> </ul> <p>The basic conditions for implementing these measures are identical for all employers, regardless of their economic strength.</p>
<b>SOS, Slovenia</b>	At national level 3 billions of euros are provided on measures against COVID-19.	<p>In the first intervention act, which is valid from 11. 4. 2020, are no specific legal provisions under which the state would allocate specific financial resources to municipalities to tackle the epidemic.</p> <p>A second intervention act is being drafted; municipalities and associations of municipalities participate by the preparation within a working group, which prepares emergency measures to stem the epidemic COVID-19 and minimize its consequences for municipalities.</p>	In order to help their citizens, some municipalities have reduced or exempted rent payment to tenants of business premises and apartments owned by the municipalities. Some municipalities also have opted to submit the data for assessing the compensation for the use of building land to the tax authority by the deadline of December 31, 2020, and not till March 31, 2020.

<p><b>NAMRB, Bulgaria</b></p>	<p>4.5 billion BGN (around 2.3 EUR) for economic measures.</p> <p>As agreed on EU level, certain amounts from EU funding are redirected for measures to fight COVID-19.</p> <p>With the amendment of the State Budget Law the government of Bulgaria can increase its government debt from 2.2 billion BGN to 10 billion BGN if needed.</p> <p><i>For more details of the allocation of the resources please refer to the full response.</i></p>	<p>No special financing envisaged specifically for the municipalities by the central government.</p>	<p>Each municipality decides on its own, but most of them have applied the following measures:</p> <ul style="list-style-type: none"> <li>-Deferral of taxes and fees – property tax, waste collection tax, vehicles tax – including 5% discount for paying the whole amount until end of June (in normal circumstances the deadline for the discount is end of April).</li> <li>-Tenants of commercial municipal properties are exempt from paying rent for the period of the state of emergency (if the tenant is not operating).</li> <li>-Monthly rents for municipal property homes (apartments) will be deferred.</li> </ul>
<p><b>ZELS, North Macedonia</b></p>	<p>At its 39th session, the Government of the Republic of North Macedonia adopted the Decision on redistribution of funds between budget users of the central government and between the funds, according to which in the Budget of the Republic of North Macedonia for 2020, in the special part in the first sub-column Basic Budget Expenditures, redistribution of funds in the amount of MKD 6,542,000,000 (roughly EUR 100 million) is performed.</p>	<p>There is no financing allocated specially to local government by the central government in the Republic of North Macedonia so far.</p>	<p>During the state of emergency, the City of Skopje will not act on the warnings for 2019 that have been submitted to the taxpayers for property tax and to the taxpayers - communal tax (company tax) and will not be forced to collect the overdue unpaid debts. The City of Skopje informs all taxpayers that in conditions of a declared global pandemic caused by the Kovit-19 virus and the consequences it causes on the economy, in order to help companies overcome the corona virus, the Council of the City of Skopje adopted a Decision on amending and supplementing the "Decision on the amount of utility fees in the City of Skopje" starting from 01.01.2020. The amendments to the Tariff No. 1 of the Decision, ie, reduce the utility fee for a company, as an additional relief to the financial situation of taxpayers who</p>

			perform activities on the territory of the 10 Skopje municipalities.
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