

# Findings of the Monitoring of Fiscal Decentralization



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**NALAS, Increasing Municipal Investment Capacities in SEE  
Pristina, 14.04.2016**

## *Declaration on the Future of the Fiscal Decentralization in SEE, Budva 2012 - **goals***

- ✓ Increasing the municipal investment capacity in order to overcome the continuing underfunding of the municipal infrastructure,
- ✓ Facilitating the access of the local governments to the EU and national funds,
- ✓ Facilitating the access to the credit market.

## *Declaration on the Future of the Fiscal Decentralization in SEE, Budva 2012 - **needs***

- ✓ Knowledge on financial risks management, bond issuing and financial engineering,
- ✓ Methodologies for long-term investment planning,
- ✓ Impact assessment techniques for debt service, future operating costs, transferring the costs into the user fees/charges, scheduling the general repairs,
- ✓ Creative and innovative investments tools.

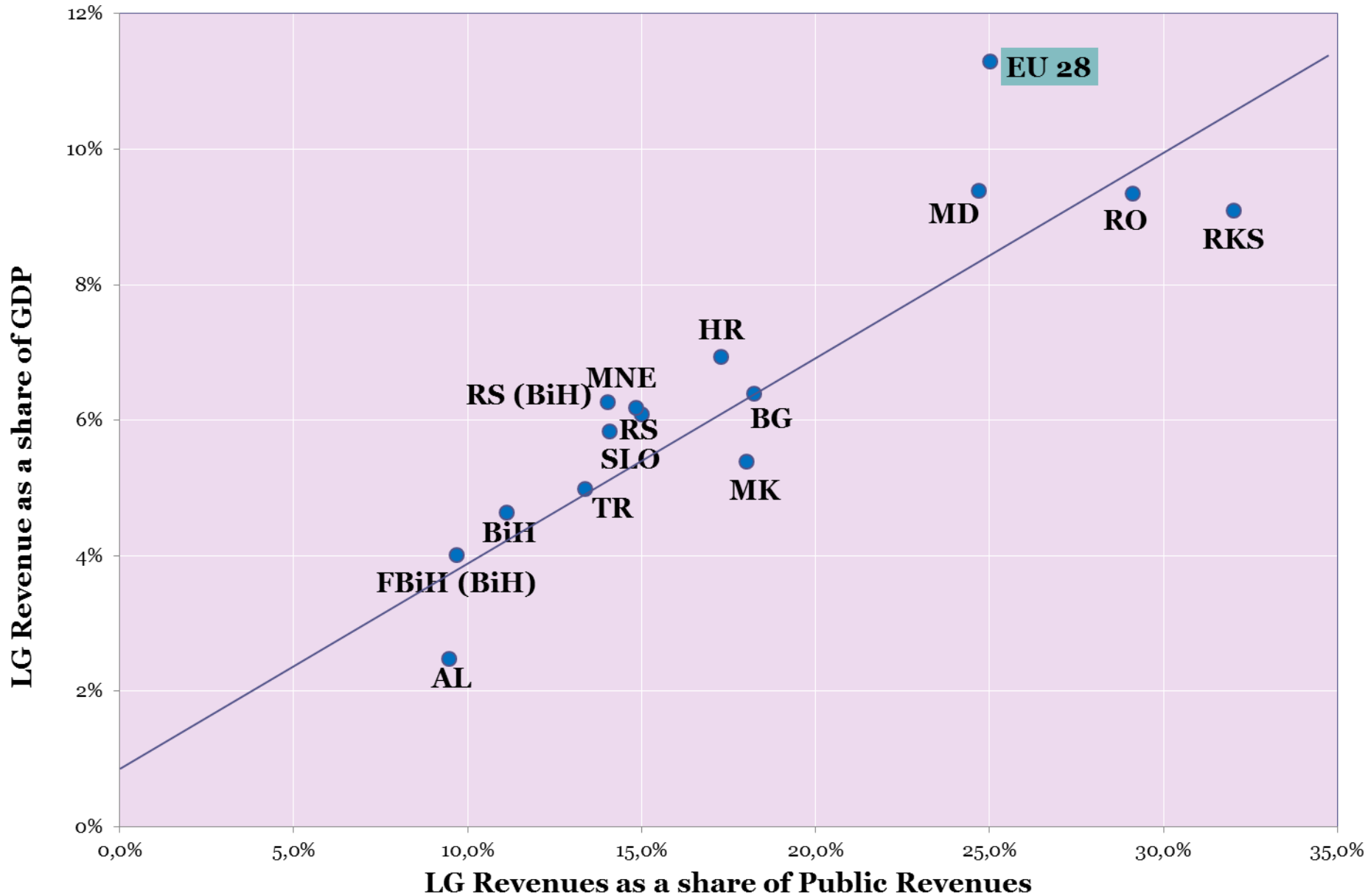
# *FD Indicators for SEE: 2006 - 2014*

- ✓ Municipalities derive 35% of their revenue from *own sources* – the rest is unconditional and conditional grants, and shared taxes
- ✓ Municipalities collect significant amounts of own-revenue from quasi-fiscal instruments imposed on real-estate transactions, new investment, and *business operations* – *affects the business climate*
- ✓ Municipalities spend *higher shares of expenditure on investment* than their counterparts in the EU, despite receiving significantly lower shares of total public revenue

## *FD Indicators for SEE: 2006 - 2014*

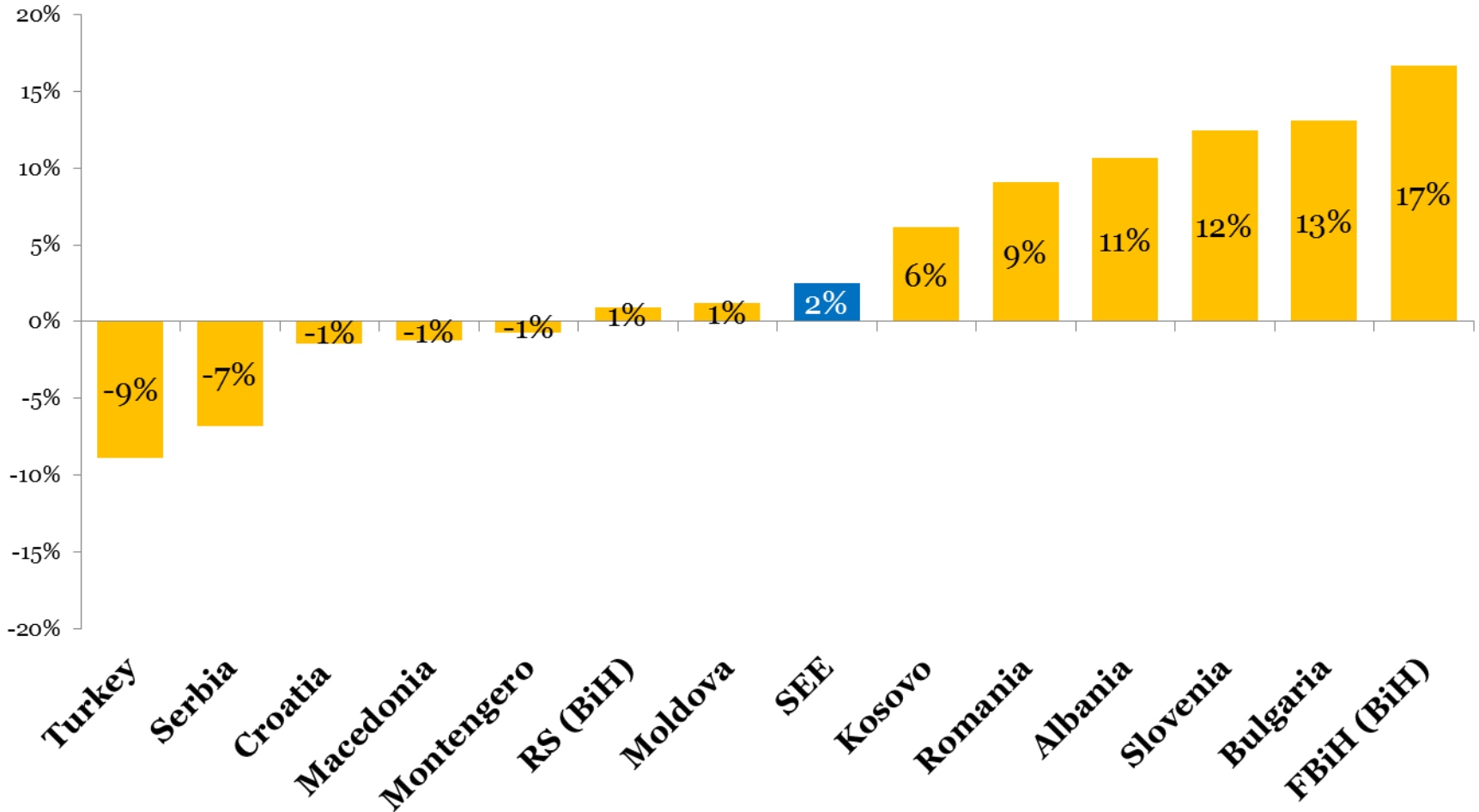
- ✓ Investment funds tend to be spent mainly on a *pay-as-you-build base* instead of *pay-as-you-use*
- ✓ In Albania, Croatia, Montenegro, Serbia and Slovenia *the consolidated public debt exceeds* the Maastricht Treaty limit of 60% of GDP
- ✓ *Adequacy and predictability of local government revenues need to be improved*, if municipalities are to prudently incur debt:
  - by increasing the own-revenue raising powers;
  - by enhancing and stabilizing transfer systems;
  - continuous, informed and substantive intergovernmental dialogue.

# FD Indicators for SEE: 2006 - 2014



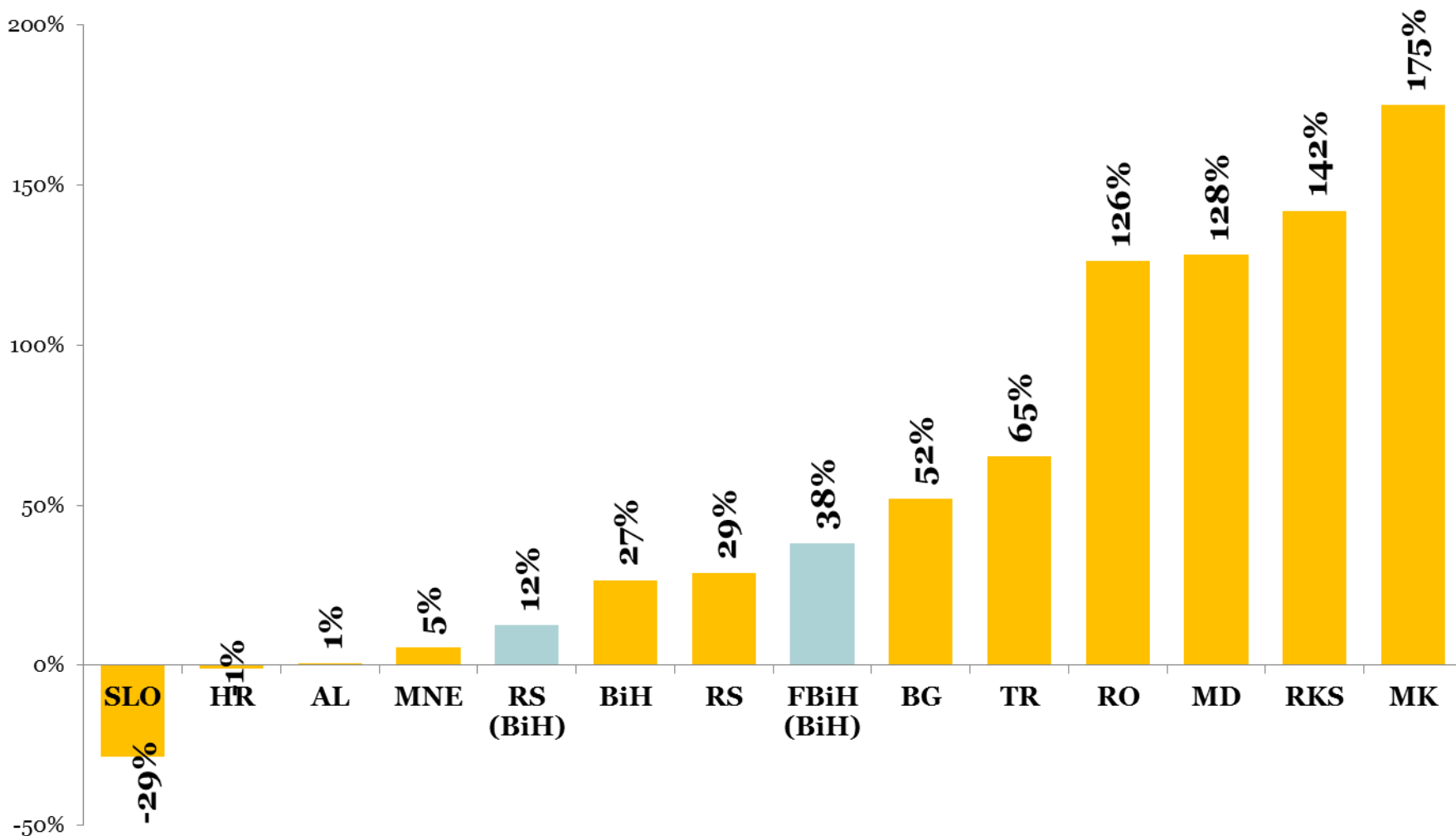
# FD Indicators for SEE: 2006 - 2014

## Growth/Decline of Local Government Revenue between 2013 and 2014



# FD Indicators for SEE: 2006 - 2014

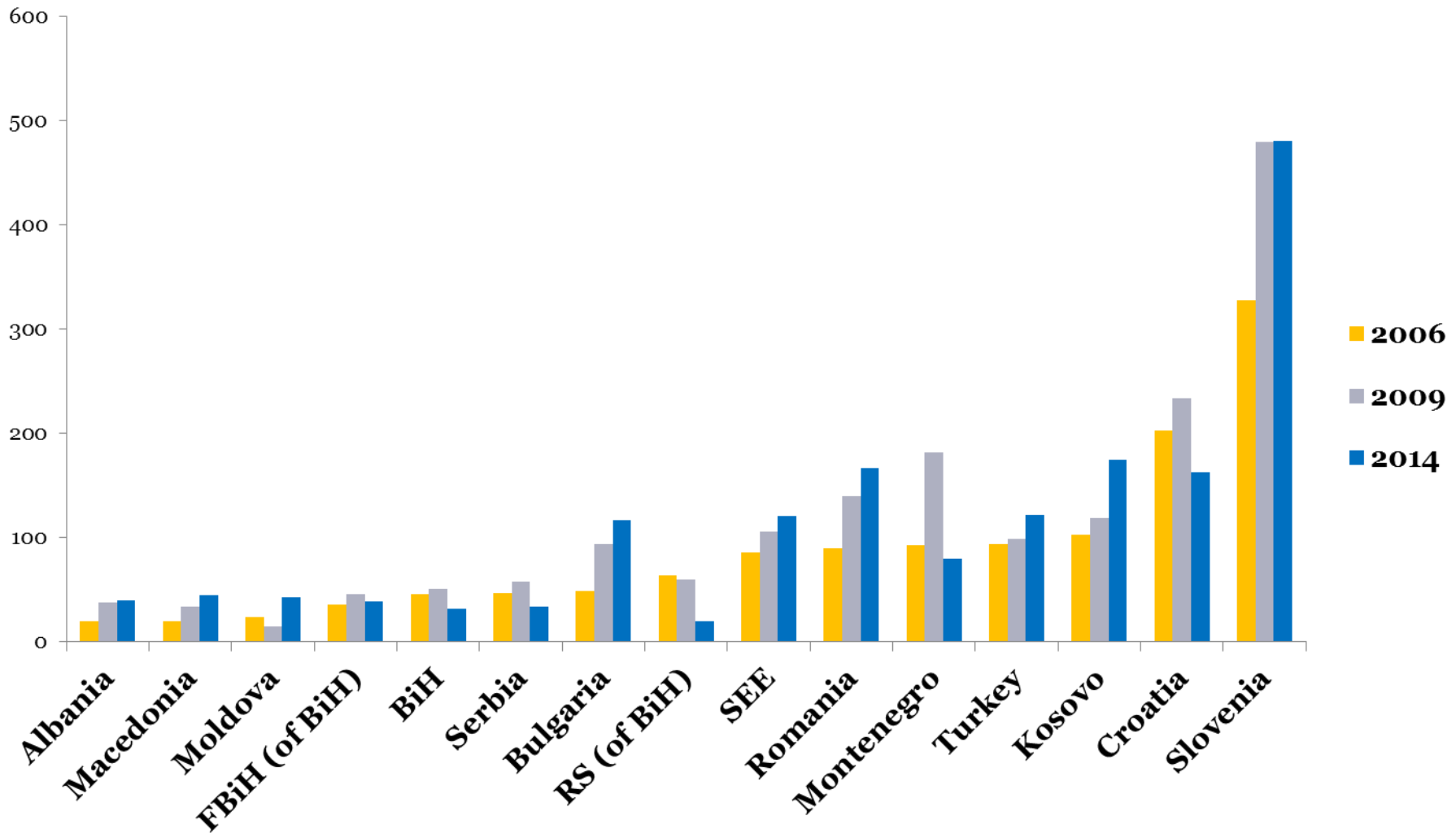
## Absolute Growth of Own Revenues 2006-2014





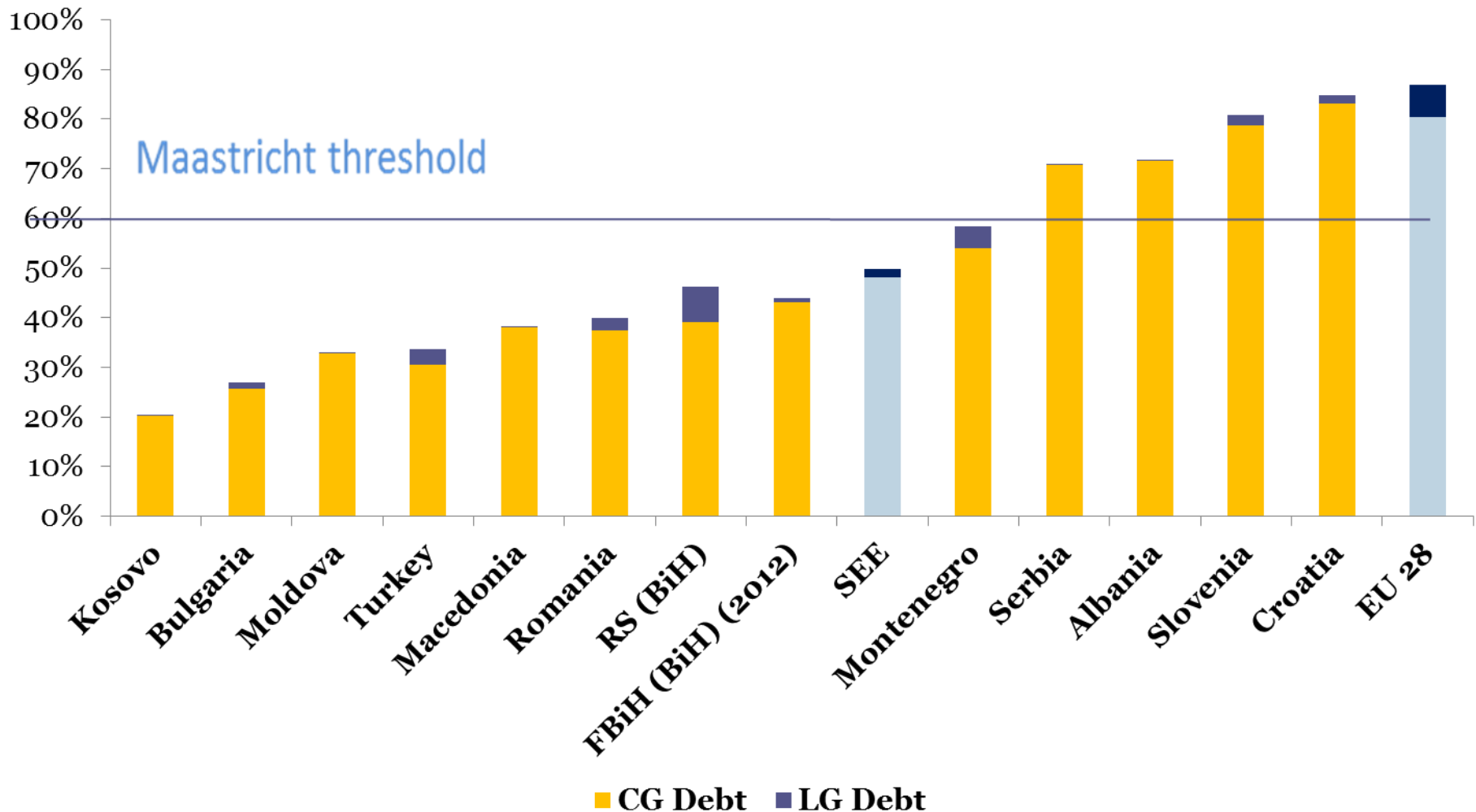
# FD Indicators for SEE: 2006 - 2014

## Local Government Investment in 2006, 2009, 2014 (EUR per capita)



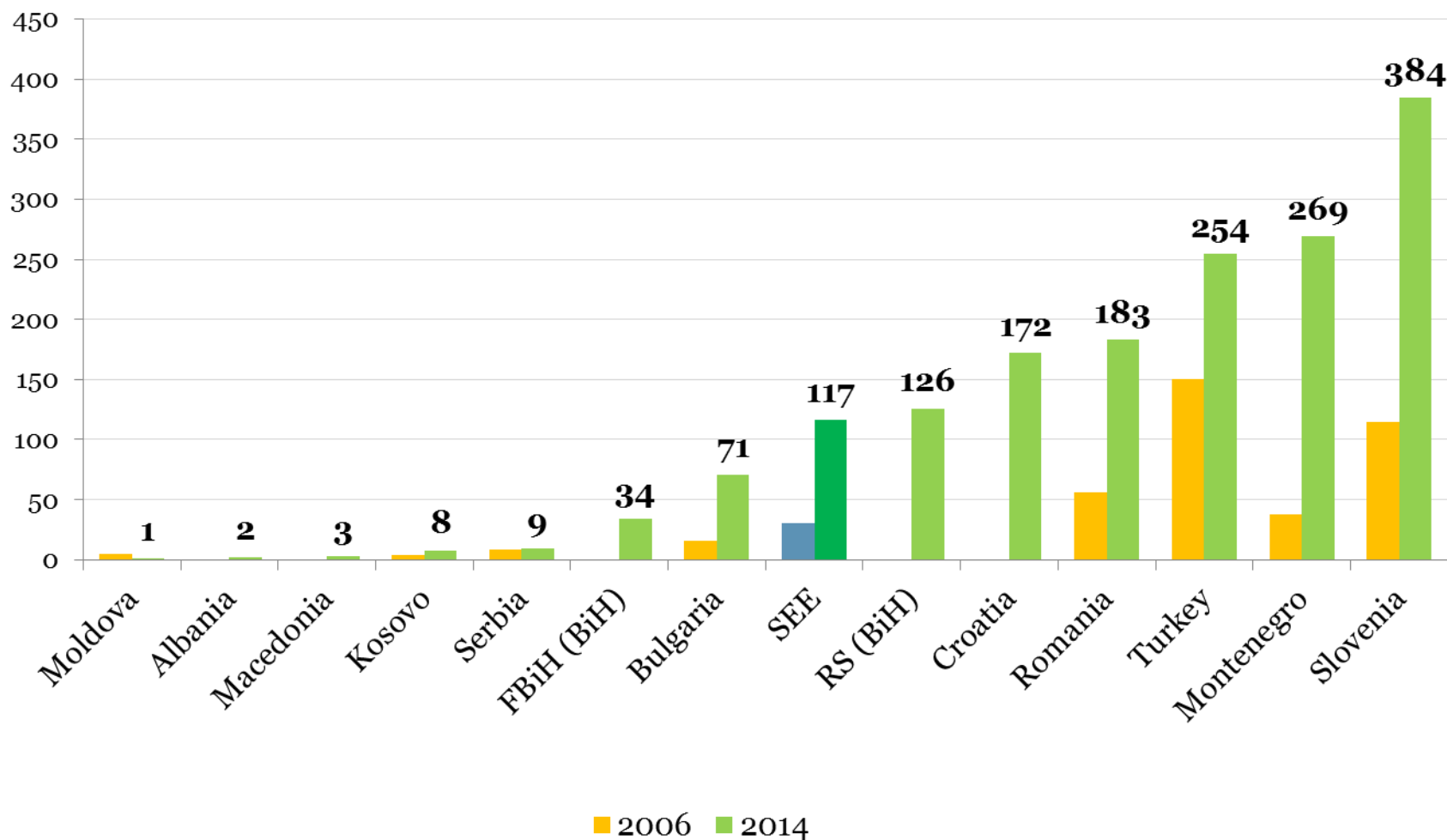
# FD Indicators for SEE: 2006 - 2014

## Public Debt by Level of Government as Share of GDP



# FD Indicators for SEE: 2006 - 2014

## Increase in Local Government Debt 2006-2014 (EUR per capita)



## *Additional discussion points*

**Maintaining the overall fiscal stability; imposing appropriate central controls over municipal borrowing**

**Expanding the local revenue base; incentives for prudent borrowing and long-term financial planning**

**Raising capital for investment in infrastructure facilities is a universal concern**

**Long-term capital is scarce; LG may not be the most preferred banks' clients**

**Devolution/decentralization pushes down to LG the responsibility for meeting capital needs**

**Increasing pressure to make government at all levels more accountable to citizens and more attuned to the demands of the market**

**The transposed EU regulations are executed mainly at local/regional level.**

**Are the national fiscal resources reallocated similarly?**