



Network of Associations
of Local Authorities
of South-East Europe

LOCAL GOVERNMENT FINANCE INDICATORS IN SOUTH-EAST EUROPE

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KDZ - Centre for Public Administration Research



Socio-economic data

2018	Population (in millions)	Area (in thousand Sq. Km)	Population Density	GDP (Eur Billion) ¹	GDP in Eur per capita	Real GDP Growth
Albania	2.9	28.7	100	12.7	4,440	4.1%
Bosnia and Herzegovina	3.5	51.2	69	16.8	4,858	3.6%
<i>FBiH (BiH)</i>	2.2	26.1	84	11.2	5,098	3.6%
<i>RS (BiH)</i>	1.2	24.6	47	5.5	4,737	3.7%
Bulgaria	7.3	110.4	64	55.2	7,531	3.1%
Croatia	4.1	56.6	73	48.7	11,717	2.8%
Kosovo*	1.8	10.9	164	6.5	3,658	3.9%
North Macedonia	2.1	25.7	81	10.7	5,173	2.7%
Moldova	3.5	33.8	105	9.6	2,699	4.0%
Montenegro	0.6	13.8	45	4.7	7,492	5.1%
Romania	19.6	238.4	82	188.0	9,563	6.9%
Serbia	7.0	88.4	79	42.8	6,100	4.4%
Slovenia	2.1	20.1	103	43.3	20,949	5.0%
Turkey	80.8	814.6	99	753.9	9,400	2.6%
WB6 ²	17.9	218.7	82	94.2	5,270	3.7%
South-East Europe ³	134.8	1,493.0	90	1,188.0	8,813	3.9%
EU 28	511.5	4,370.0	117	15,326.5	29,962	2.4%
OECD 35	1,284.3	34,525.3	37	49,424.5	38,483	1.8%

¹ Source: Institute of Statistics of NALAS members, Local Government Associations, the Ministries of Finance of NALAS members, EUROSTAT; The World Observatory on Subnational Government Finance and Investment of the UCLG and OECD; OECD's Subnational Government in OECD Countries: Key data 2018 Edition; OECD's Key data on local and regional governments in the European Union.

² GDP in current prices converted to EURO using the end of year official exchange rates, as reported by Ministries of Finance, Institute of Statistics and Eurostat

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

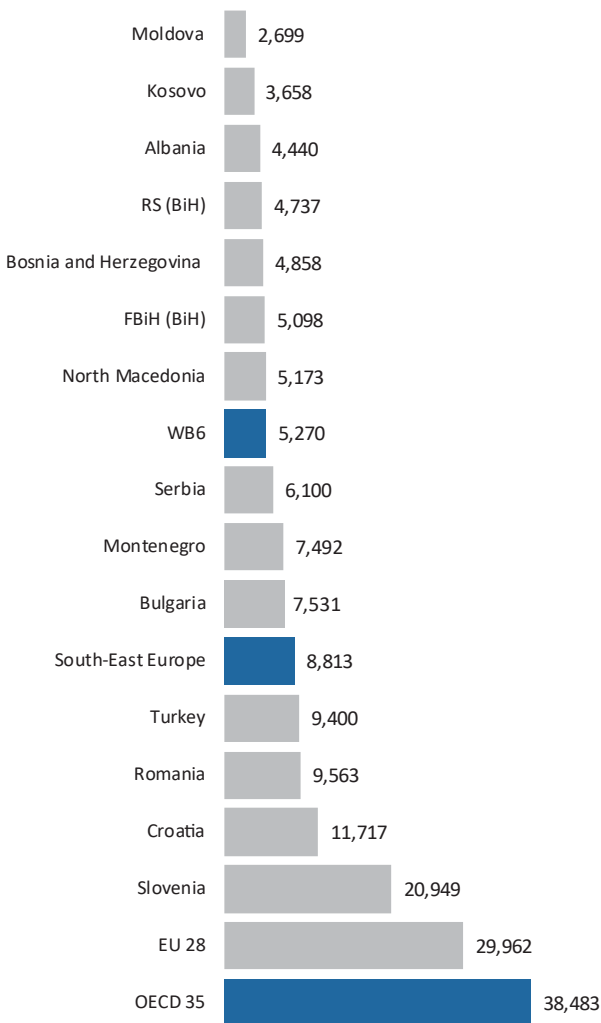
³ Western Balkans: Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro and Serbia

⁴ South-East Europe refers to NALAS members, as shown in the table

⁵ EU 28 refers to the European Union Member States

⁶ OECD 35 refers to the member countries of the Organisation for Economic Co-operation and Development (OECD)

GDP in Eur per capita in South-East Europe, 2018



Number and Types of Sub-Sovereign Governments

2018	NALAS member	Levels of Sub-Sovereign Government	Types of Sub-Sovereign Government	Number of Municipalities	Second Tier/Regional Level
Albania	AAM	2	Counties; Municipalities	61	12
Bosnia and Herzegovina		3	Entities; Cantons; Municipalities	144	11
<i>FBiH (BiH)</i>	SOGFBiH	2	Cantons; Municipalities	80	10
<i>RS (BiH)</i>	ALVRS	1	Municipalities	64	
Bulgaria	NAMRB	1	Municipalities/Communes	265	
Croatia	UORH, ACRC	2	Counties; Municipalities/Communes/Cities	556	21
Kosovo	AKM	1	Municipalities	38	
North Macedonia	ZELS	1	Municipalities	81	
Moldova	CALM	3	Autonomous Province; Raions/ Regions; Municipalities/Communes	898	32
Montenegro	UMM	1	Municipalities	25	
Romania	ACOR	2	Counties; Municipalities/Communes	3,181	42
Serbia	SCTM	2	Autonomous Provinces; Municipalities	145	
Slovenia	AMTS	1	Municipalities	212	
Turkey	MMU	3	Provincial Self-Governments; Regional Self-Government; Municipal and Communal Self-Governments	1,398	793
Western Balkans				492	23
South-East Europe				7,002	911
EU 28				88,072	1,232
OECD 35				136,806	4,519

NALAS Regional Database based on official data from the Local Government Associations, Institute of Statistics, EUROSTAT; The World Observatory on Subnational Government Finance and Investment of the UCLG and OECD; OECD's Subnational Government in OECD Countries: Key data 2018 Edition; OECD's Key data on local and regional governments in the European Union

Average Size of Municipal Governments

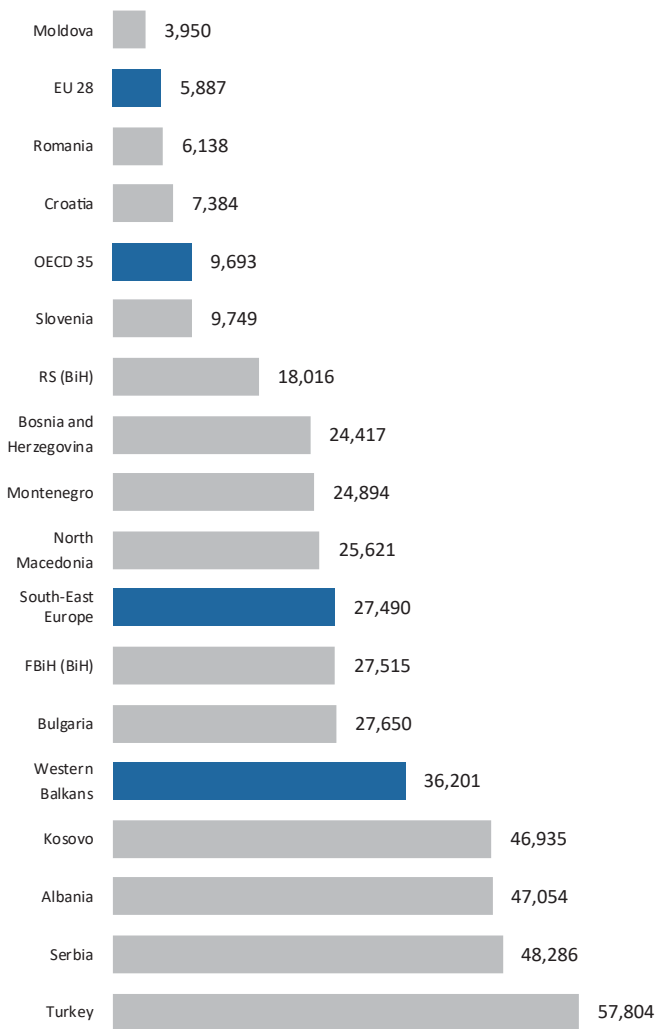
2018	Number of Municipalities	Average number of municipalities per 1000 inhabitants	Average Municipal Size, no. of inhabitants	Average Municipal Size, in Sq. Km.	Percentage of Population Living in Capital Cities
Albania	61	47	47,054	471	20.4%
Bosnia and Herzegovina	144	27	24,417	356	13.9%
<i>FBiH (BiH)</i>	80	29	27,515	326	13.8%
<i>RS (BiH)</i>	64	22	18,016	385	15.9%
Bulgaria	265	28	27,650	419	17.7%
Croatia	556	7	7,384	102	19.3%
Kosovo	38	47	46,935	287	11.2%
North Macedonia	81	26	25,621	317	24.4%
Moldova	898	4	3,950	38	16.6%
Montenegro	25	25	24,894	552	29.9%
Romania	3,181	6	6,138	75	9.6%
Serbia	145	48	48,286	609	22.5%
Slovenia	212	10	9,749	98	13.5%
Turkey	1,398	58	57,804	583	6.5%
Western Balkans ¹	494	37	36,201	432	20%
South-East Europe ²	7,004	28	27,403	326	17%
EU 28	88,072	na	5,887	49	na
OECD 35	136,806	na	9,693	211	na

¹WB6 refers to the Western Balkans Six: Albania, Bosnia and Herzegovina, Kosovo

²SEE refers to NALAS members from South-East Europe, comprising all economies shown in the table

NALAS Regional Database based on official data from the Local Government Associations, the Ministries of Finance, Institute of Statistics, EUROSTAT; The World Observatory on Subnational Government Finance and Investment of the UCLG and OECD; OECD's Subnational Government in OECD Countries: Key data 2018 Edition; OECD's Key data on local and regional governments in the European Union

Average Population of 1st Tier Local Governments

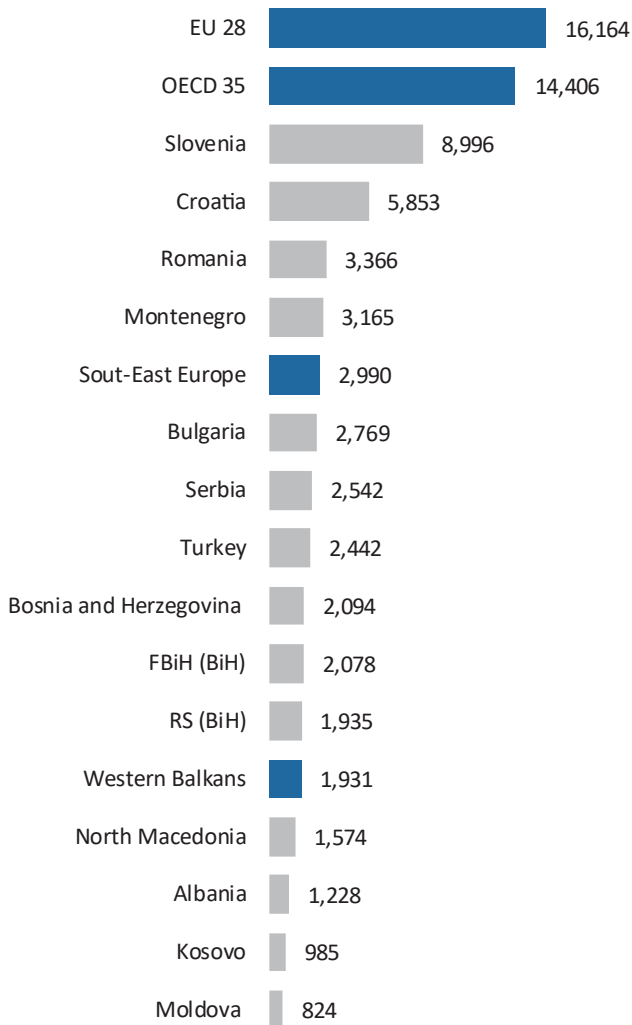


Public Revenue

2018	in Billion of Eur	in Eur per capita	in % of the GDP
Albania	3.5	1,228	27.7%
Bosnia and Herzegovina	7.4	2,094	43.1%
<i>FBiH (BiH)</i>	4.6	2,078	40.8%
<i>RS (BiH)</i>	2.2	1,935	40.9%
Bulgaria	20.3	2,769	36.8%
Croatia	24.0	5,853	46.6%
Kosovo	1.8	985	26.9%
North Macedonia	3.3	1,574	30.4%
Moldova	2.9	824	30.5%
Montenegro	2.0	3,165	42.2%
Romania	65.7	3,366	32.0%
Serbia	17.8	2,542	41.5%
Slovenia	18.6	8,996	40.5%
Turkey	197.3	2,442	30.2%
Western Balkans	35.7	1,931	35.3%
South-East Europe	364.6	2,996	35.7%
EU 28	8,264.3	16,164	44.6%
OECD 35	18,471.2	14,406	37.5%

Data source: NALAS Regional Database based on official data from the Local Government Associations, the Ministries of Finance, Institute of Statistics, EUROSTAT; The World Observatory on Subnational Government Finance and Investment of the UCLG and OECD; OECD's Subnational Government in OECD Countries: Key data 2018 Edition; OECD's Key data on local and regional governments in the European Union

Public Revenue, in Eur per capita



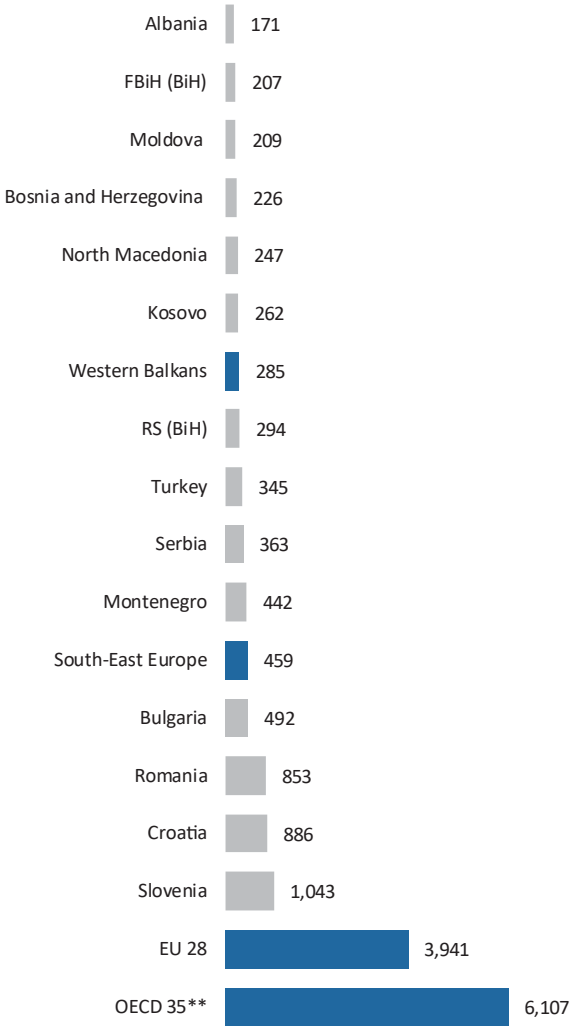
Local Government Revenue

2018	in million of Eur	in Eur per capita	In % of Public Revenue	in % of the GDP
Albania	490	171	13.9%	3.8%
Bosnia and Herzegovina	794	226	10.8%	4.6%
<i>FBIH (BiH)</i>	455	207	10.0%	4.1%
<i>RS (BiH)</i>	338	294	15.2%	6.2%
Bulgaria	3,608	492	17.8%	6.5%
Croatia	3,638	886	15.1%	7.1%
Kosovo	468	262	26.6%	7.2%
North Macedonia	512	247	15.7%	4.8%
Moldova	740	209	25.3%	7.7%
Montenegro	275	442	14.0%	5.9%
Romania	16,646	853	25.3%	8.1%
Serbia	2,541	363	14.3%	5.9%
Slovenia	2,156	1,043	11.6%	4.7%
Turkey	27,855	345	14.1%	4.3%
Western Balkans	5,080	285	15.9%	5.4%
South-East Europe	59,379	459	16.9%	5.9%
EU 28 ¹	2,015,070	3,941.1	24.4%	10.9%
OECD 35*	7,830,150	6,107.3	42.4%	15.9%

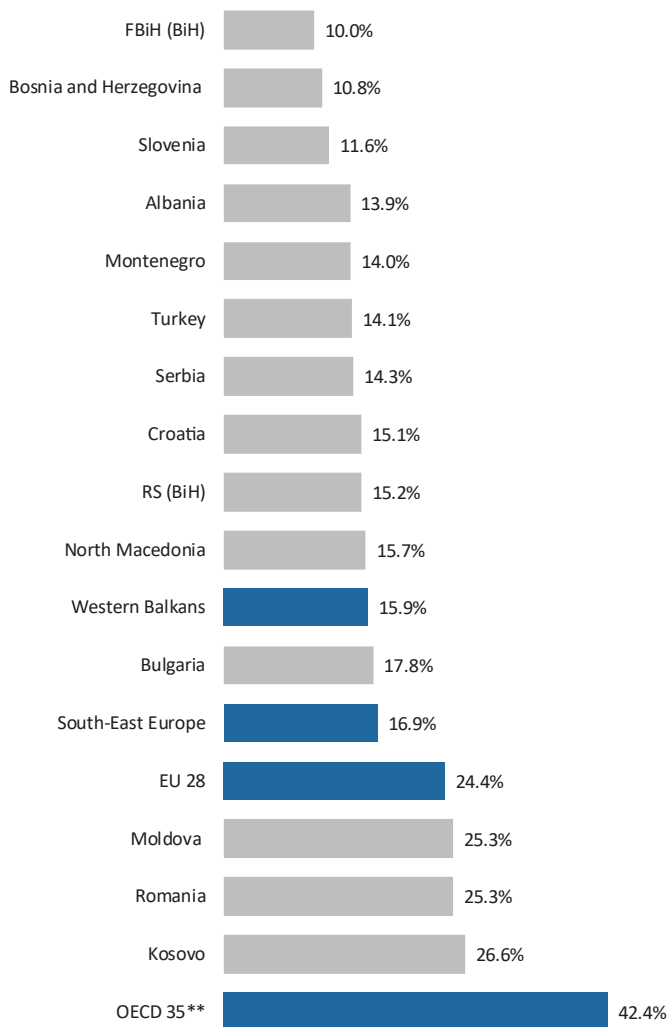
¹ The data for OECD 35 include also intermediary and regional governments, while for the EU28 the data includes only the municipal government level

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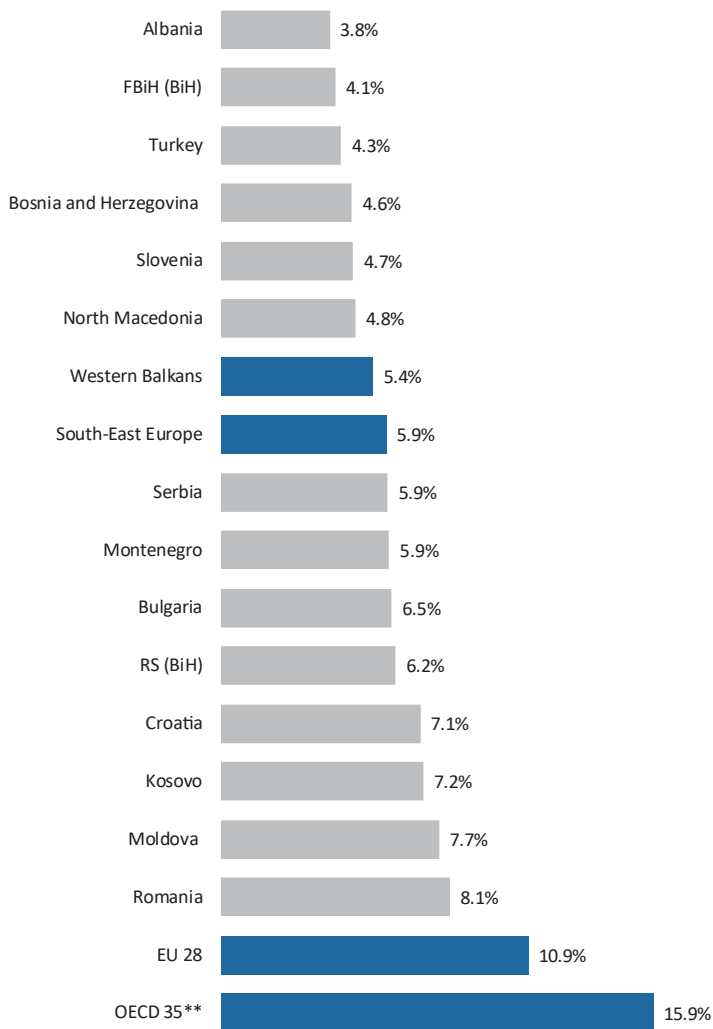
Local Government Revenue, in Eur per capita



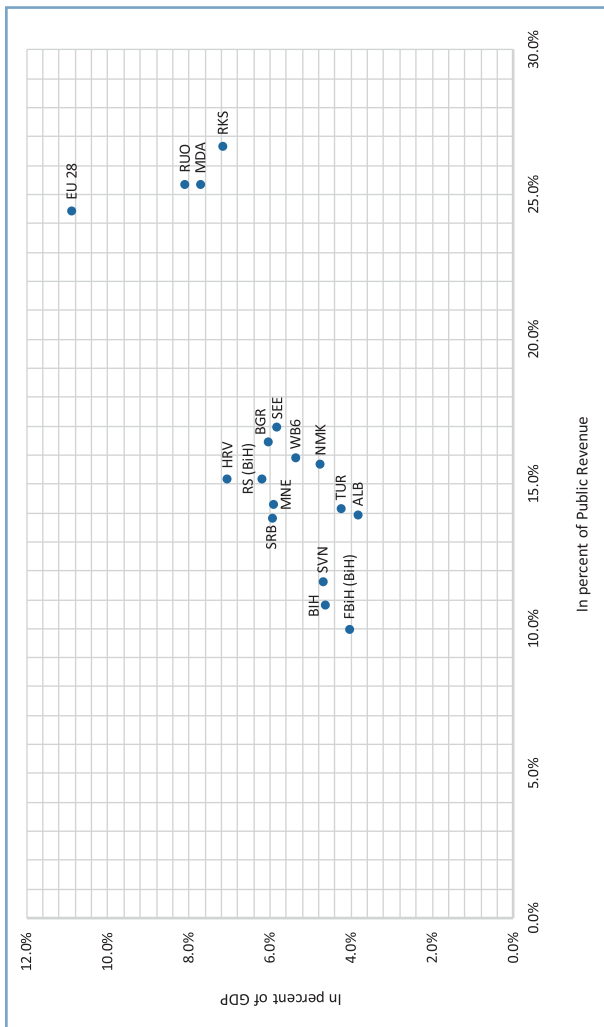
Local Government Revenue as % of Public Revenue



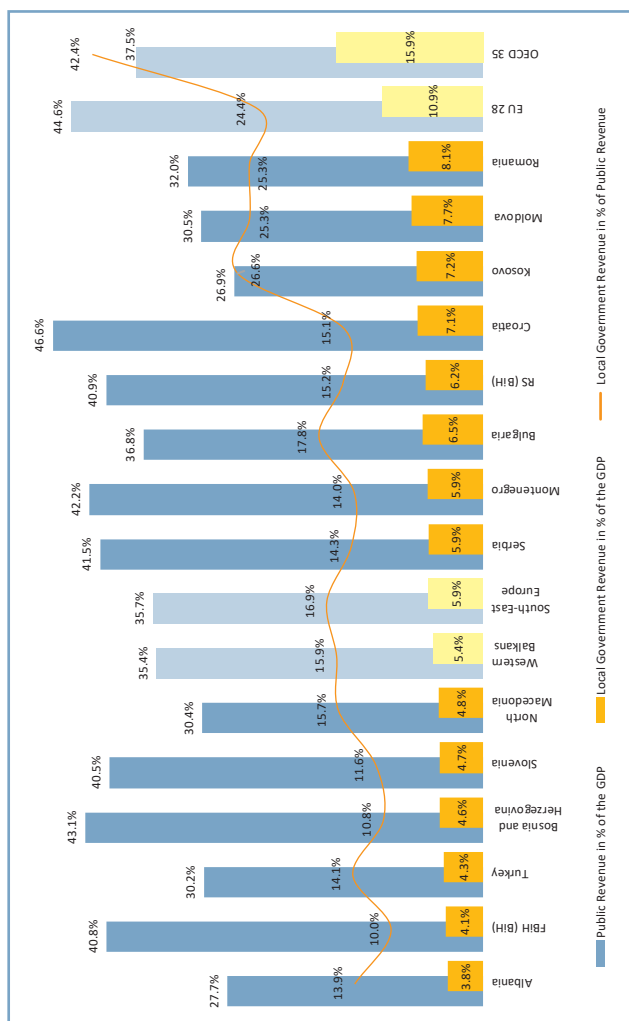
Local Government Revenue as % of GDP



Local Revenues as a share of Total Public Revenues & GDP



Public Revenue and Local Government Revenue in South-East Europe



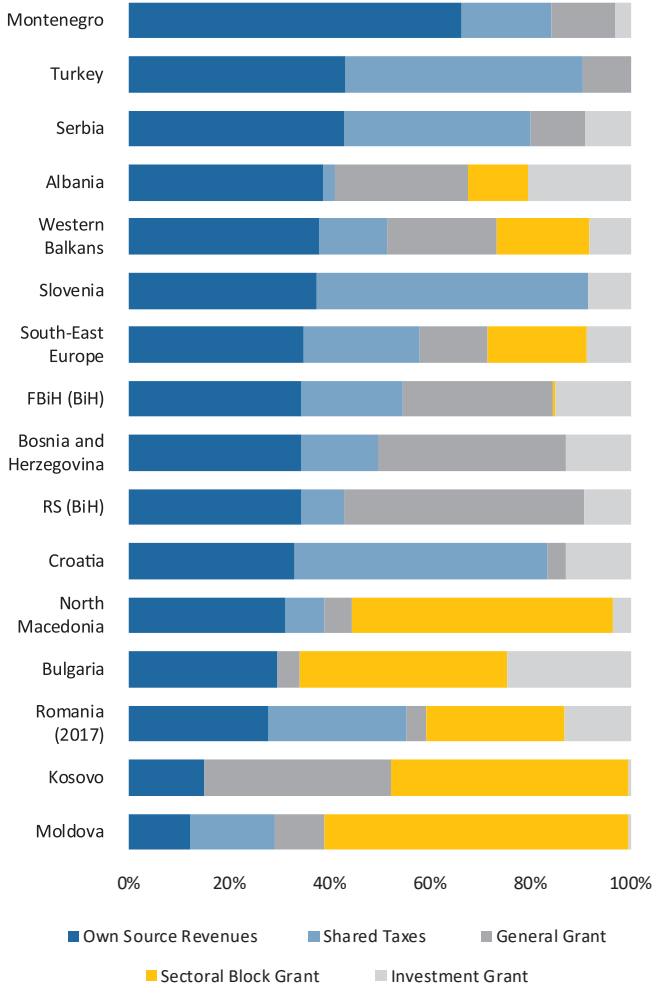
The Structure of Local Government Revenue

2018 in % of Total	Own Source Revenues	Shared Taxes	General Grant	Sectoral Block Grant	Investment Grant
Albania	39%	2%	27%	12%	21%
Bosnia and Herzegovina	34%	15%	38%	0%	13%
<i>FBiH (BiH)</i>	34%	20%	30%	0%	15%
<i>RS (BiH)</i>	34%	9%	48%	0%	9%
Bulgaria	30%	0%	5%	41%	25%
Croatia	33%	50%	4%	0%	13%
Kosovo	15%	0%	37%	47%	1%
Moldova	12%	17%	10%	61%	0%
Montenegro	66%	18%	13%	0%	3%
North Macedonia	31%	8%	5%	52%	4%
Romania (2017)	28%	27%	4%	27%	13%
Serbia	43%	37%	11%	0%	9%
Slovenia	37%	54%	0%	0%	8%
Turkey	43%	47%	9%	0%	0%
Western Balkans	38%	13%	22%	19%	8%
South-East Europe	35%	23%	13%	20%	9%
EU 28	n.a.	n.a.	n.a.	n.a.	n.a.
OECD 35	n.a.	n.a.	n.a.	n.a.	n.a.

The data for OECD 35 include also intermediary and regional governments, while for the EU28 the data includes only the municipal government level.

Data source: Data source: NALAS Regional Database based on official data from the Local Government Associations, the Ministries of Finance, Institute of Statistics, EUROSTAT; The World Observatory on Subnational Government Finance and Investment of the UCLG and OECD; OECD's Subnational Government in OECD Countries: Key data 2018 Edition; OECD's Key data on local and regional governments in the European Union.

Composition of Local Government Revenue in South-East Europe, in % of Total



The Structure of Local Government Revenue

2018 in Euro per capita	Own Source Revenues	Shared Taxes	General Grant	Sectoral Block Grant	Investment Grant
Albania	66	4	45	20	35
Bosnia and Herzegovina	77	35	85	0	29
<i>FBiH (BiH)</i>	71	42	61	1	32
<i>RS (BiH)</i>	100	25	141	0	27
Bulgaria	146	0	22	203	122
Croatia	293	446	34	0	114
Kosovo	40	0	97	124	0
Moldova	26	35	20	127	0
Montenegro	293	79	56	0	14
North Macedonia	77	20	13	128	15
Romania (2017)	231	228	33	229	110
Serbia	158	138	40	0	33
Slovenia	390	565	0	0	36
Turkey	149	163	33	0	0
Western Balkans	118	46	56	45	21
South-East Europe	164	143	40	68	34

Data source: Data source: NALAS Regional Database based on official data from the Local Government Associations, the Ministries of Finance, Institute of Statistics, EUROSTAT; The World Observatory on Subnational Government Finance and Investment of the UCLG and OECD; OECD's Subnational Government in OECD Countries: Key data 2018 Edition; OECD's Key data on local and regional governments in the European Union.

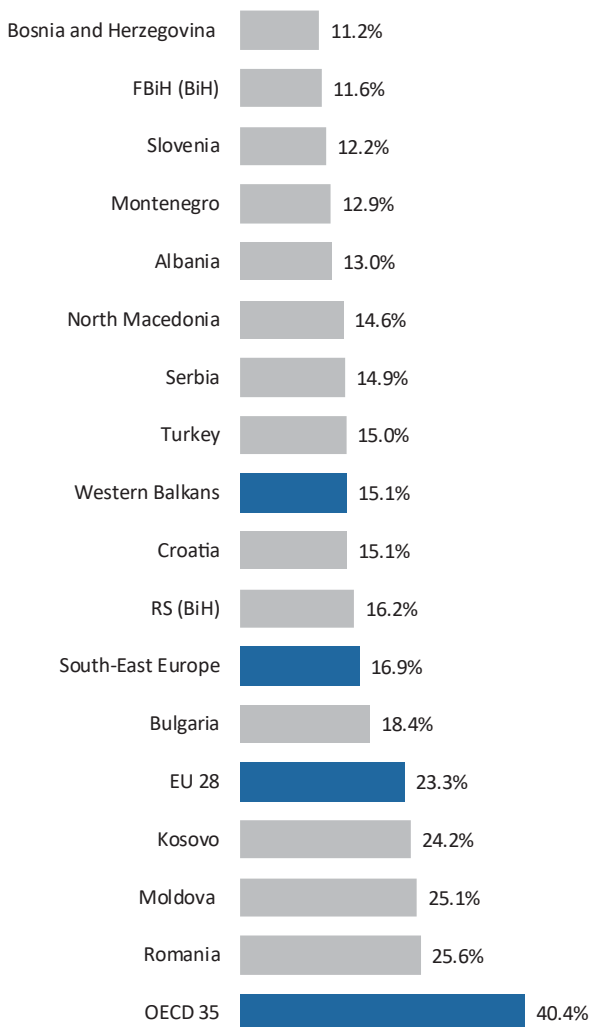
Local Government Expenditure

2018	in million of Eur	in Eur per capita	In % of Public Expenditure	in % of the GDP
Albania	485	169	13.0%	3.8%
Bosnia and Herzegovina	783	223	11.2%	4.6%
<i>FBiH (BiH)</i>	453	206	11.6%	4.0%
<i>RS (BiH)</i>	331	287	16.2%	6.1%
Bulgaria	3,536	483	18.4%	6.4%
Croatia	3,625	883	15.1%	7.0%
Kosovo	467	262	24.2%	7.2%
North Macedonia	494	238	14.6%	4.6%
Moldova	733	207	25.1%	7.7%
Montenegro	254	408	12.9%	5.4%
Romania	16,797	860	25.6%	8.2%
Serbia	2,607	372	14.9%	6.1%
Slovenia	2,198	1,063	12.2%	4.8%
Turkey	32,391	401	15.0%	5.0%
Western Balkans	5,090	279	15.1%	5.3%
South-East Europe	64,370	466	16.8%	5.9%
EU 28	1,995,330	3,903	23.3%	10.8%
OECD 35	7,988,270	6,231	40.4%	15.5%

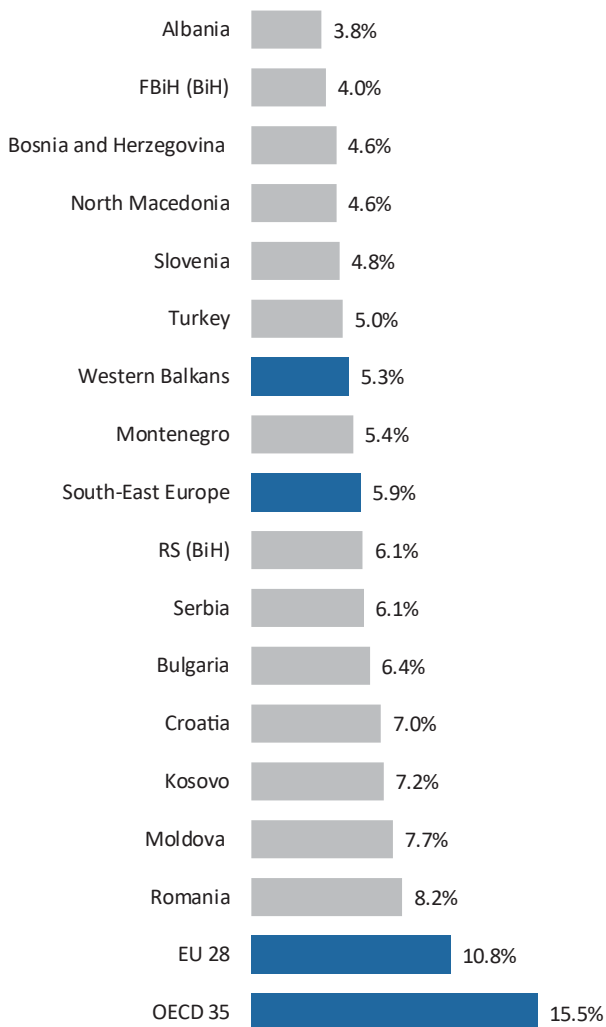
The data for OECD 35 include also intermediary and regional governments, while for the EU28 the data includes only the municipal government level.

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Local Government Expenditure as % of Public Expenditure



Local Government Expenditure as % of GDP



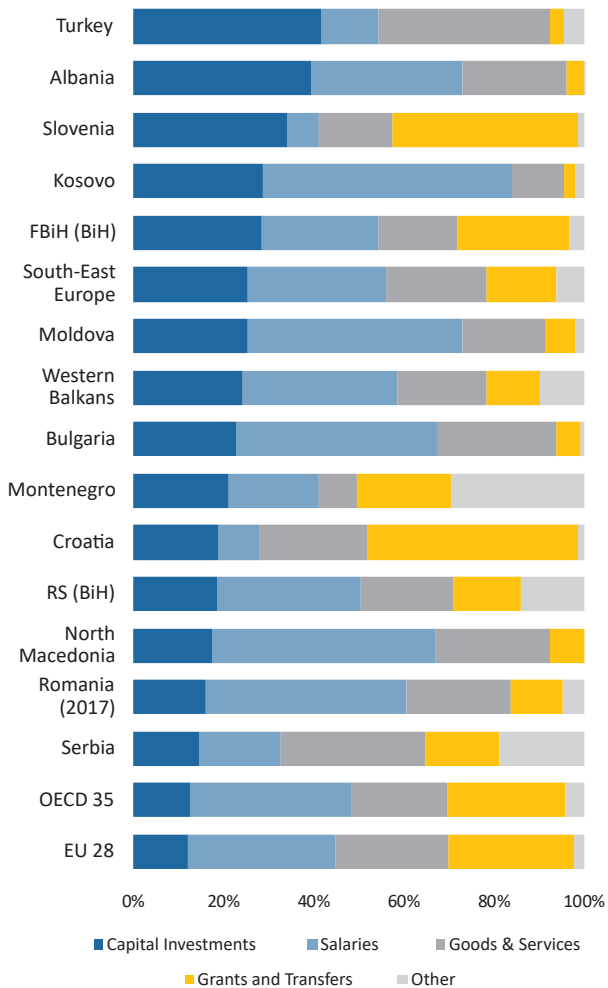
The Structure of Local Government Expenditure

2018 in % of Total	Capital Investments	Salaries	Goods & Services	Grants and Transfers	Other
Albania	39.5%	33.6%	22.9%	3.9%	0.1%
Bosnia and Herzegovina	24.3%	28.5%	18.7%	20.7%	7.9%
<i>FBiH (BiH)</i>	28.4%	26.0%	17.3%	25.0%	3.3%
<i>RS (BiH)</i>	18.6%	31.7%	20.5%	15.0%	14.2%
Bulgaria	22.9%	44.3%	26.5%	5.5%	0.8%
Croatia	18.8%	9.0%	24.1%	46.7%	1.5%
Kosovo	28.8%	55.3%	11.6%	2.4%	2.0%
Moldova	25.2%	47.8%	18.3%	6.8%	1.9%
Montenegro	21.0%	20.2%	8.3%	20.9%	29.6%
North Macedonia	17.5%	49.5%	25.4%	7.5%	0.0%
Romania (2017)	16.1%	44.4%	23.1%	11.6%	4.8%
Serbia	14.5%	18.1%	32.2%	16.4%	18.8%
Slovenia	34.0%	7.0%	16.4%	41.3%	1.3%
Turkey	41.6%	12.7%	38.2%	2.9%	4.6%
Western Balkans	24.3%	34.2%	19.8%	12.0%	9.7%
South-East Europe	25.3%	30.9%	22.2%	15.5%	6.1%
EU 28	12.2%	32.7%	24.9%	27.9%	2.3%
OECD 35	12.5%	36.0%	21.2%	26.2%	4.1%

The data for OECD 35 include also intermediary and regional governments, while for the EU28 the data includes only the municipal government level.

Data source: Data source: NALAS Regional Database based on official data from the Local Government Associations, the Ministries of Finance, Institute of Statistics, EUROSTAT; The World Observatory on Subnational Government Finance and Investment of the UCLG and OECD; OECD's Subnational Government in OECD Countries: Key data 2018 Edition; OECD's Key data on local and regional governments in the European Union.

Composition of Local Government Expenditure in South-East Europe, in % of Total



The Structure of Local Government Expenditure

2018 in Eur per capita	Capital Investments	Compensation of Employees	Goods & Services	Grants and Transfers	Other
Albania	67	57	39	7	0
Bosnia and Herzegovina	54	63	42	46	18
<i>FBiH (BiH)</i>	58	54	36	51	7
<i>RS (BiH)</i>	53	91	59	43	41
Bulgaria	110	214	128	26	4
Croatia	166	79	212	412	13
Kosovo	75	145	30	6	5
Moldova	52	99	38	14	4
Montenegro	86	82	34	85	121
North Macedonia	42	118	60	18	0
Romania (2017)	135	371	193	97	40
Serbia	54	67	120	61	39
Slovenia	362	74	175	439	14
Turkey	167	51	153	12	18
Western Balkans	63	89	54	37	30
South-East Europe	114	119	103	102	23
OECD 35	779	2243	1321	1632	255
EU 28	476	1,276	972	1,089	90

The data for OECD 35 include also intermediary and regional governments, while for the EU28 the data includes only the municipal government level.

Data source: Data source: NALAS Regional Database based on official data from the Local Government Associations, the Ministries of Finance, Institute of Statistics, EUROSTAT; The World Observatory on Subnational Government Finance and Investment of the UCLG and OECD; OECD's Subnational Government in OECD Countries: Key data 2018 Edition; OECD's Key data on local and regional governments in the European Union.

The Structure of Local Government Expenditure

2018 in Eur per capita	Education	Economic affairs	General Public Adm. Services	Health	Social protection	Other Local Services
Kosovo	60%	5%	12%	16%	2%	5%
Moldova	56%	10%	9%	1%	8%	16%
Bulgaria	40%	8%	12%	3%	7%	30%
Slovenia	38%	12%	9%	12%	12%	17%
Romania (2017)	23%	15%	11%	17%	14%	20%
Albania	19%	18%	21%	0%	3%	39%
Croatia	10%	19%	23%	1%	6%	41%
Turkey	5%	20%	30%	1%	1%	42%
Bosnia and Herzegovina	5%	11%	47%	0%	8%	29%
South-East Europe	28%	13%	20%	6%	7%	26%
EU 28	17%	13%	14%	14%	24%	18%
OECD 35	27%	18%	17%	5%	16%	17%

Data for Bosnia and Herzegovina include only data from the Federation of Bosnia and Herzegovina.

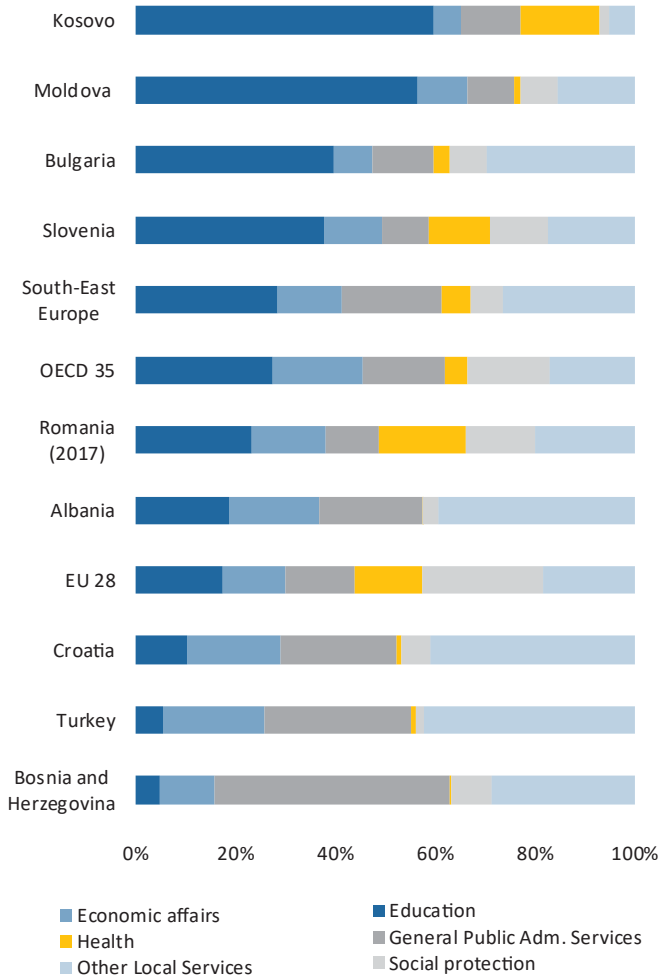
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General Public Services, include spending for the administrative costs of local governments.

Other Local Services include spending for defence, public order and safety, housing and community amenities, recreation, culture and religion, environment.

Data source: NALAS Regional Database based on official data from the Local Government Associations, the Ministries of Finance, Institute of Statistics, EUROSTAT; The World Observatory on Subnational Government Finance and Investment of the UCLG and OECD; OECD's Subnational Government in OECD Countries: Key data 2018 Edition; OECD's Key data on local and regional governments in the European Union.

Composition of Local Expenditure, according to the functions of government, in % of total

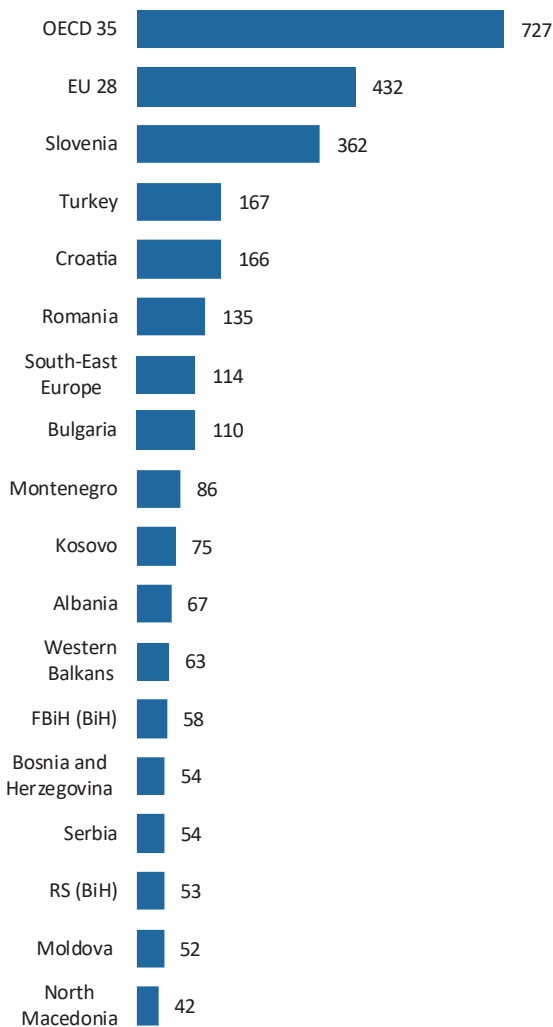


Local Government Investments

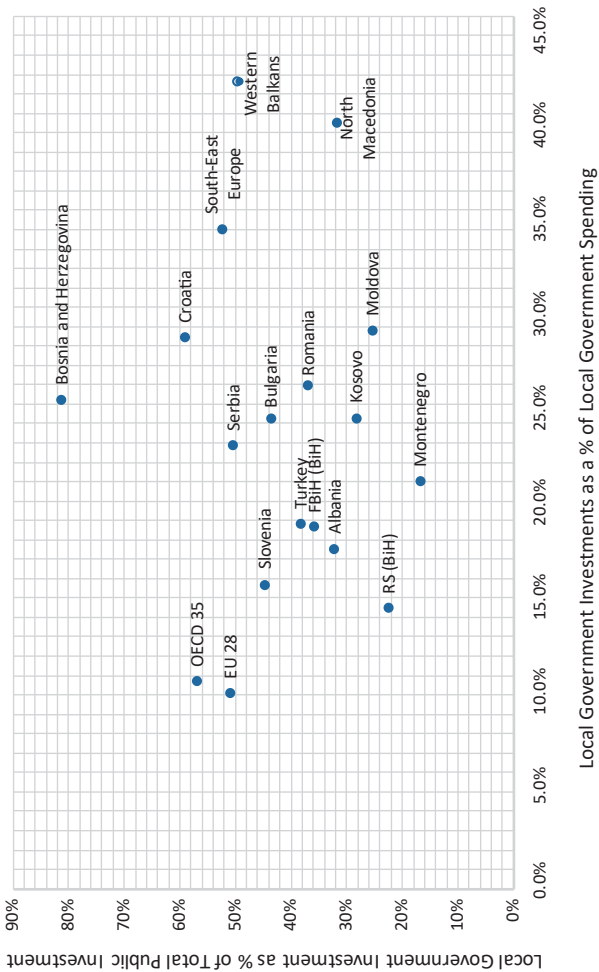
2018	in Million Eur	in Eur per capita	in % of the GDP	% of Local Government Spending	% of total public investment
Albania	192	67	1.5%	39.5%	31.2%
Bosnia and Herzegovina	190	54	1.1%	24.3%	41.9%
<i>FBiH (BiH)</i>	129	58	1.1%	28.4%	59.0%
<i>RS (BiH)</i>	62	53	1.1%	18.6%	35.7%
Bulgaria	809	110	1.5%	22.9%	50.3%
Croatia	682	166	1.3%	18.8%	38.2%
Kosovo	134	75	2.1%	28.8%	25.3%
North Macedonia	86	42	0.8%	17.5%	32.1%
Moldova	185	52	1.9%	25.2%	81.2%
Montenegro	53	86	1.1%	21.0%	16.8%
Romania	2,632	135	1.3%	15.7%	44.7%
Serbia	378	54	0.9%	14.5%	22.4%
Slovenia	748	362	1.6%	34.0%	52.2%
Turkey	13,488	167	2.1%	41.6%	49.2%
Western Balkans	1,034	63	1.3%	24.3%	28.3%
South-East Europe	19,577	114	1.4%	25.3%	40.5%
EU 28	221,000	432.0	1.1%	10.1%	50.9%
OECD 35	932,100	727	1.7%	10.7%	56.9%

Data source: NALAS Regional Database based on official data from the Local Government Associations, the Ministries of Finance, Institute of Statistics, EUROSTAT; The World Observatory on Subnational Government Finance and Investment of the UCLG and OECD; OECD's Subnational Government in OECD Countries: Key data 2018 Edition; OECD's Key data on local and regional governments in the European Union.

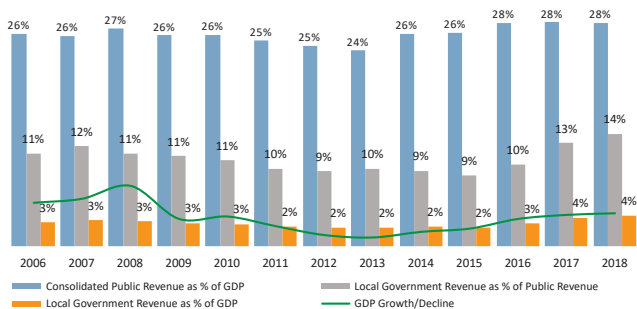
Local Government Investments, in Eur per capita



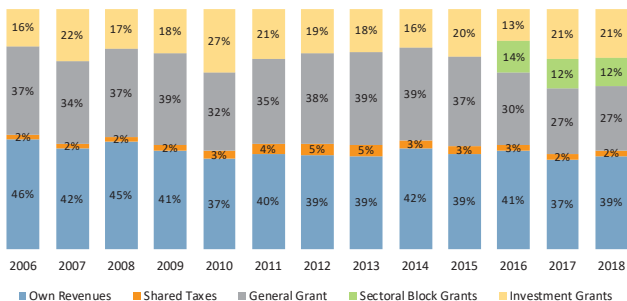
Local Government Investment in South East Europe, as % of Local Gov. Spending and Public Investments



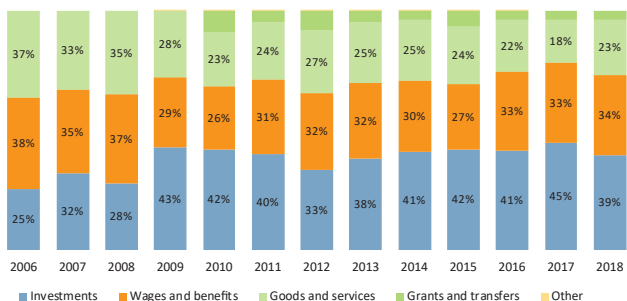
Local Government Revenue and Total Public Revenue



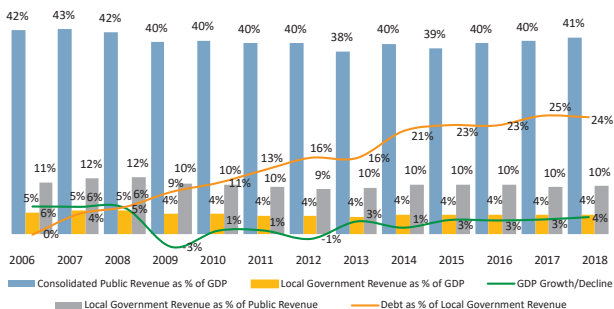
Composition of Local Revenue, in percent of total



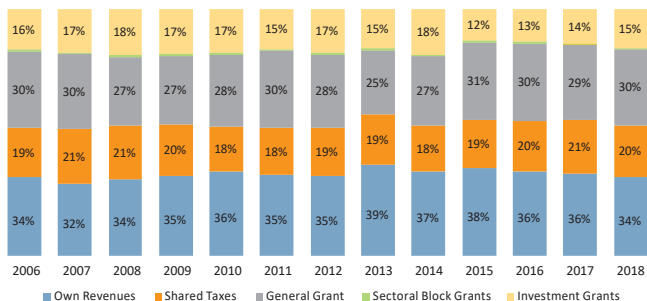
Composition of Local Expenditure, in percent of total



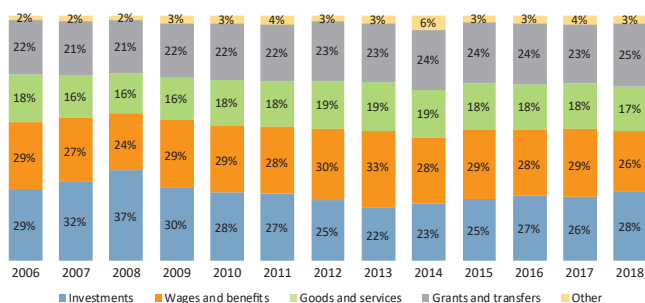
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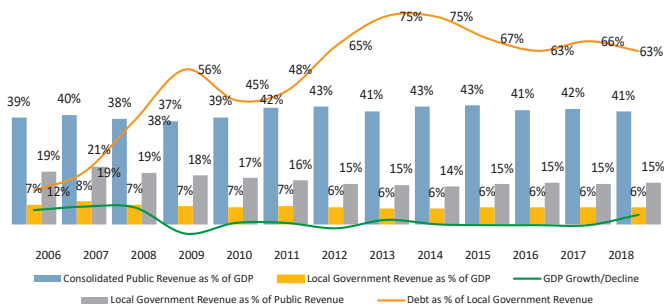
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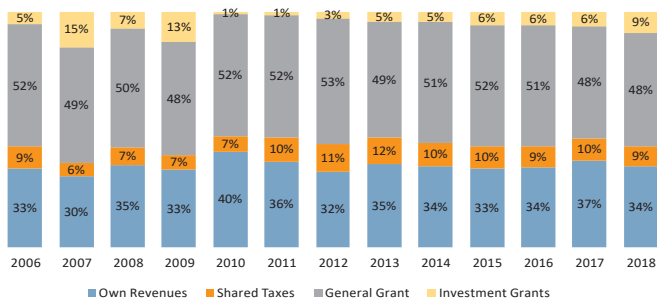
Composition of Local Expenditure, in percent of total



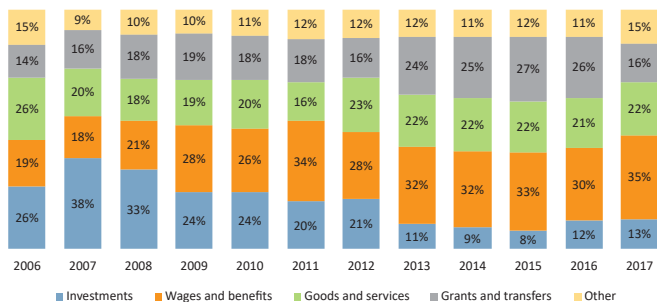
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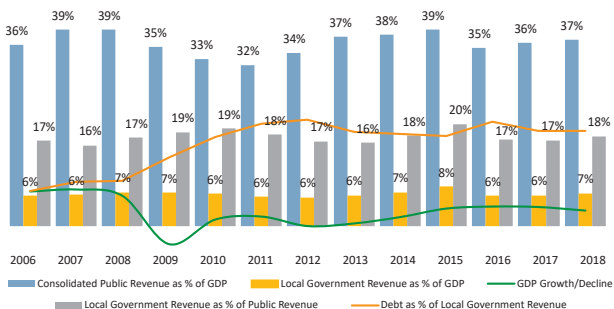
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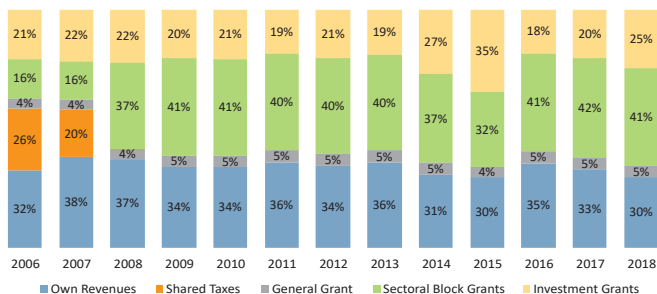
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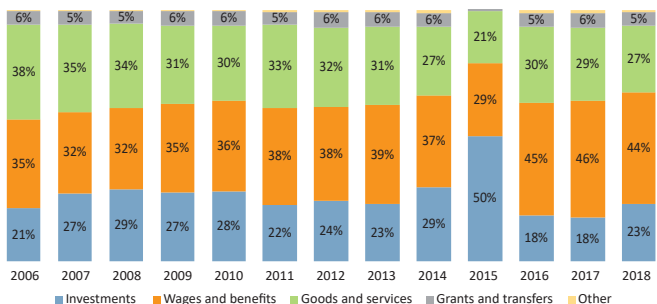
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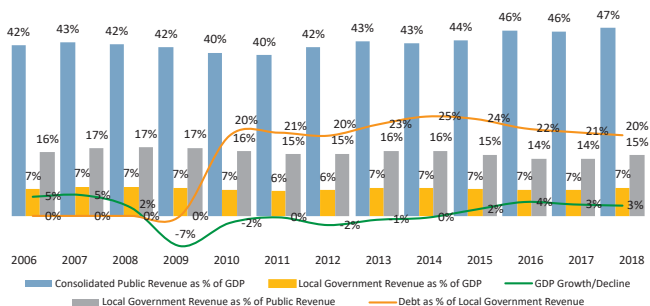
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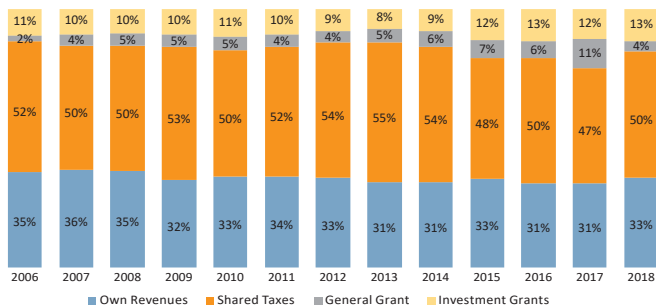
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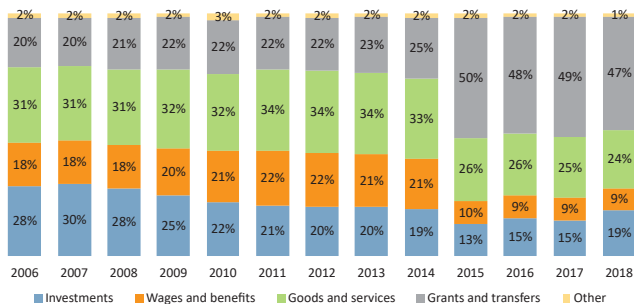
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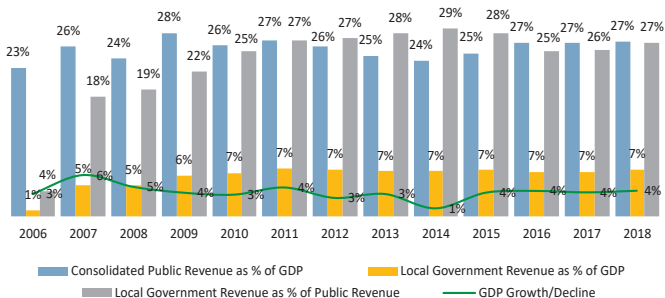
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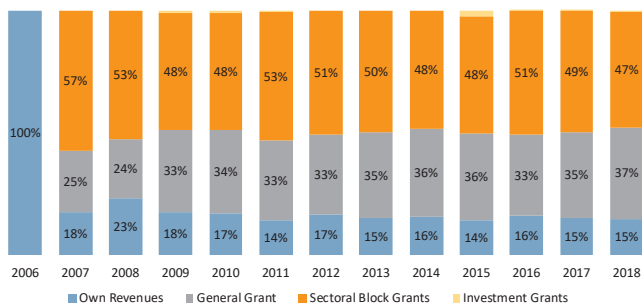
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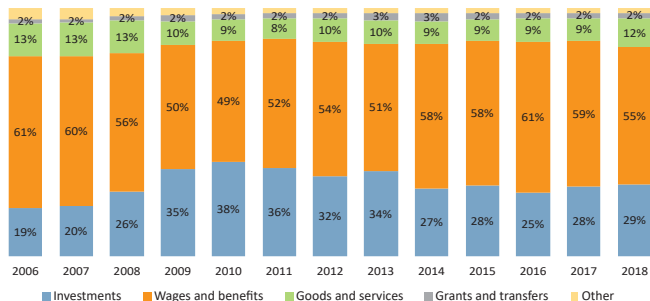
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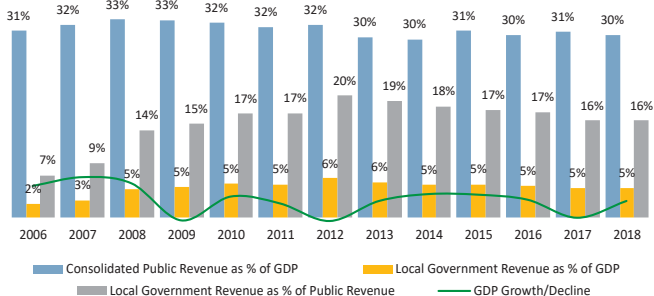
Composition of Local Revenue, in percent of total



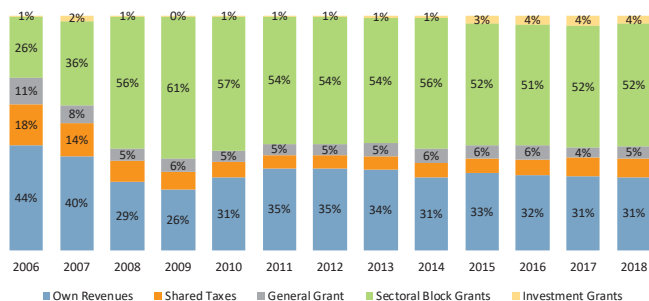
Composition of Local Expenditure, in percent of total



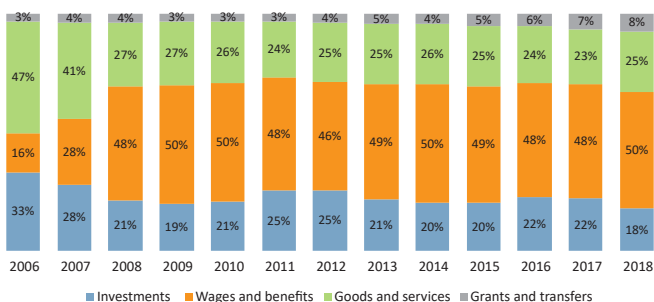
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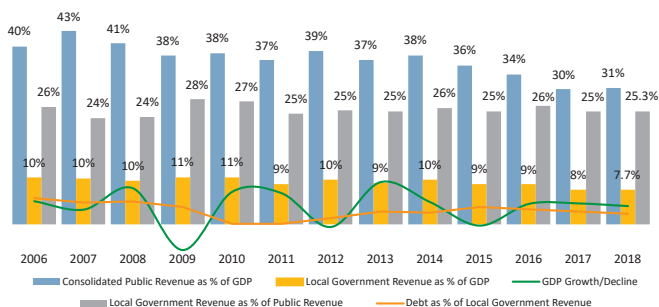
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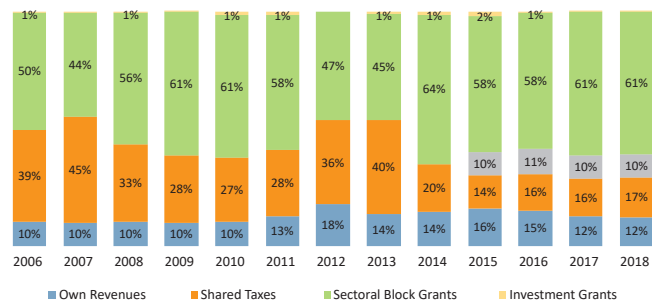
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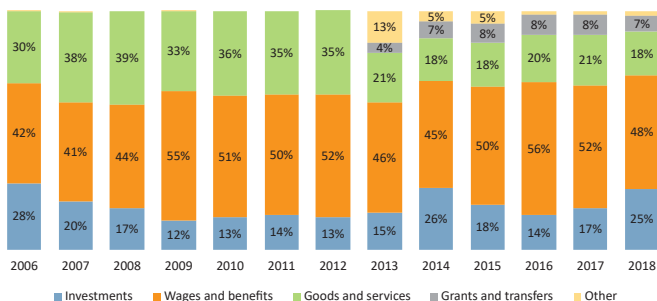
Local Government Revenue and Total Public Revenue



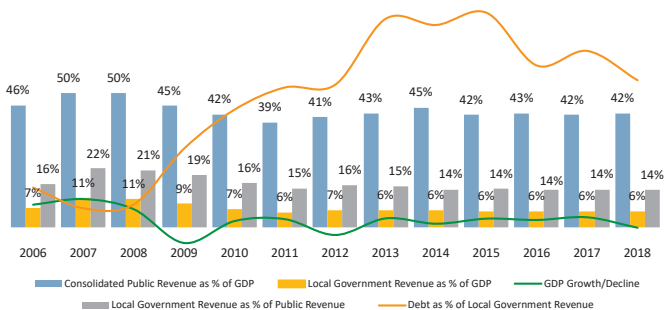
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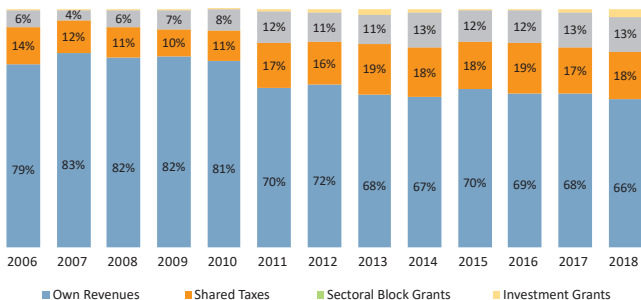
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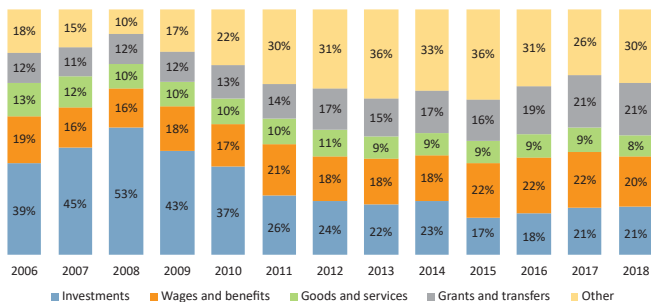
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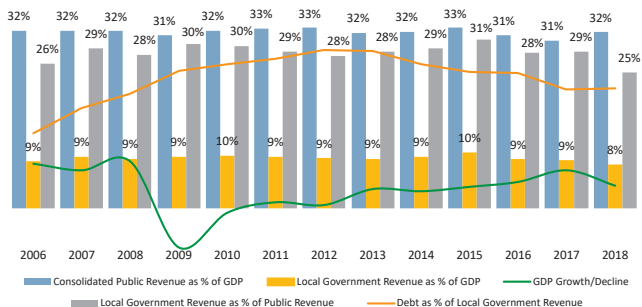
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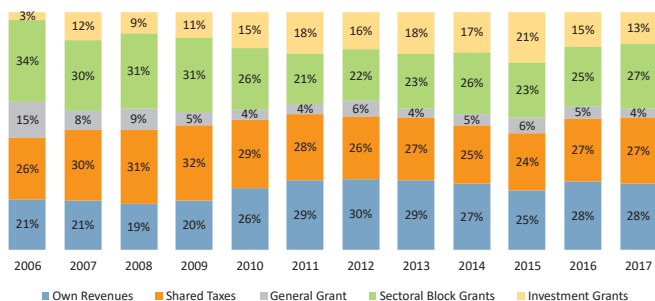
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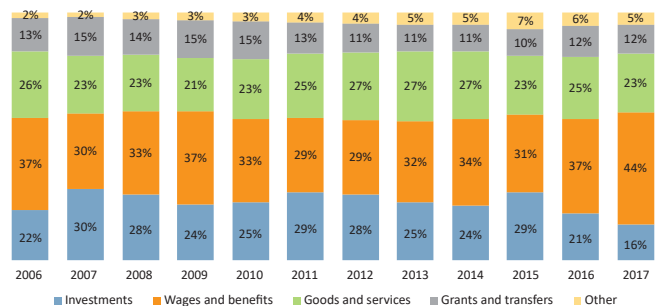
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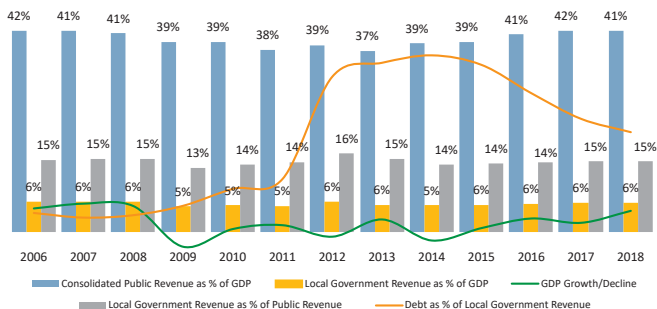
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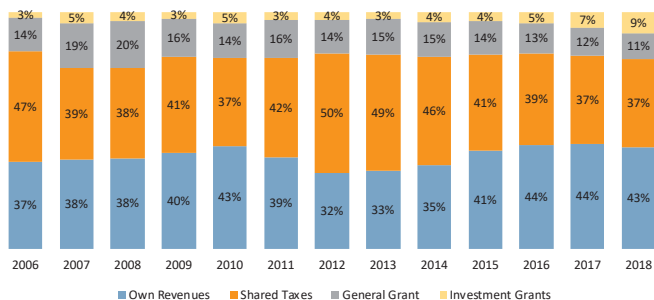
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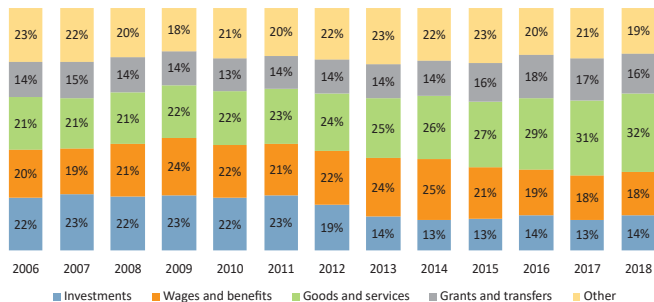
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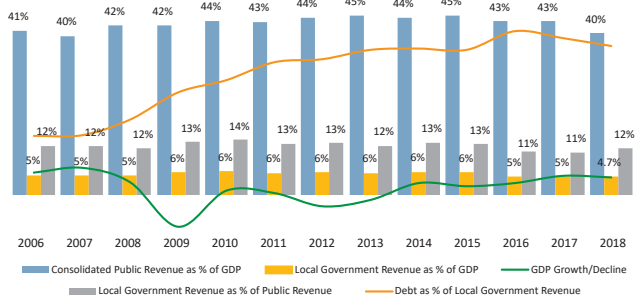
Composition of Local Revenue, in percent of total



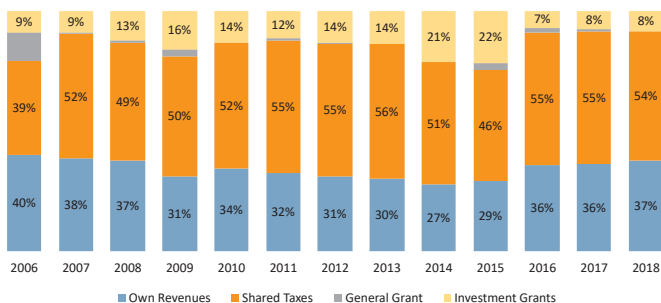
Composition of Local Expenditure, in percent of total



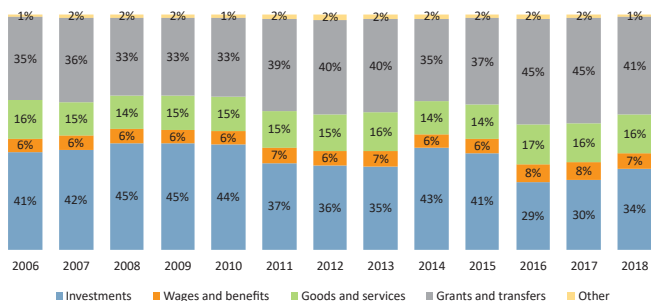
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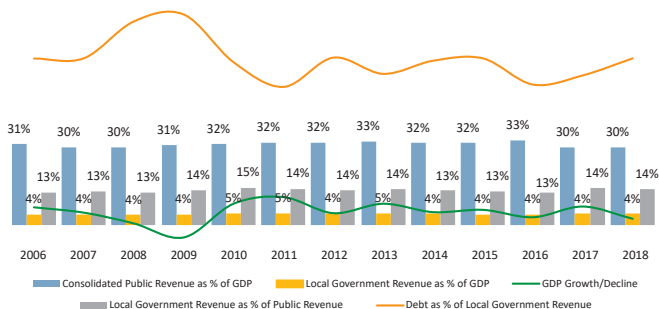
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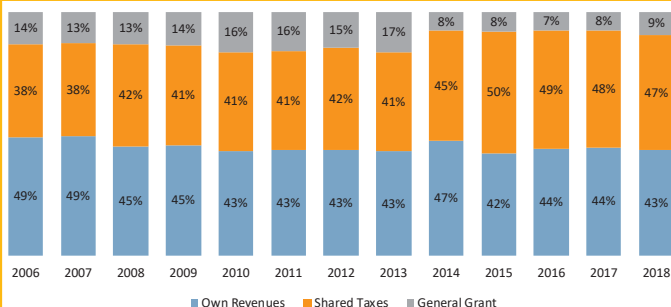
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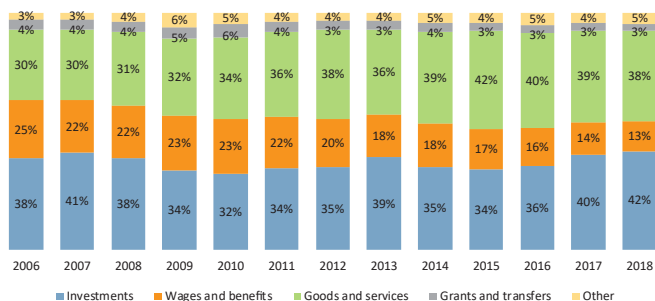
Local Government Revenue and Total Public Revenue



Composition of Local Revenue, in percent of total



Composition of Local Expenditure, in percent of total





Data, Terms, and Methodological Issues

The data used in the report has been provided mainly by NALAS members and comes from their respective Ministries of Finance, Central Banks, Statistical Agencies. The data was checked for consistency and compared, where possible, with similar data from the OECD, and the UCLG and OECD World Observatory on Subnational Government Finance and Investment; the Eurostat and other sources. For data which is beyond the scope of municipal finance (GDP, national budget surplus/deficit, public debt, population etc.), the primary data source is Eurostat and the World Economic Outlook of the International Monetary Fund and, if missing, - the national official sources.

Comparing intergovernmental finance systems however is never straightforward because of differences in how sub-national governments are organized, what they do, and how they get the money to pay for what they do. In the following, we discuss how the report addresses some of the methodological issues involved in making reasonable comparisons with imperfect data.

Levels of Government: The report's primary object of analysis are first-tier local governments, meaning democratically elected municipal or communal authorities. They constitute the most important level of sub-national government in the region and in the report are collectively referred to as municipalities.

What Municipal Governments Do: Throughout SEE, municipalities and communes bear primary responsibility for maintaining and improving local public infrastructure. This includes local roads, bridges, and parks, as well as water supply and sewage treatment, garbage collection and disposal, public lighting, local public transport, and district heating. In a number of economies, however, local governments are responsible for delivering important social sector services, particularly in education, but also in some places, healthcare. The degree to which local governments are responsible for social sector services has a profound effect on their "fiscal weight" everywhere. It is thus important when reading the Statistical Brief to remember what social sector services local governments are providing in different economies.

Important note: The Eurostat data for the sub-national level in Croatia include the wages of schoolteachers and some others employed in local institutions even though the national government pays these wages. The data, provided by the LGAs, excludes them, which should be taken into account throughout the various financial data, ratios, charts and comparisons in the report.

Population: The use of correct and most recent population data is of crucial importance for all per capita indicators. There is a variety of sources which data greatly varies mainly because of the purposes the data is generated and used. The initial focus on the census data had to be reassessed because of increasing time-gaps with the current situation, which cannot reflect the profound demographic changes. We prioritized the data sources for each economy and entity in the following way:

- Primary source – EUROSTAT;
- National Statistics - census or most recent data if available; and,
- Data used for the transfers systems – from the Local Government Associations.





Data, Terms, and Methodological Issues


Gross Domestic Product (GDP): We have used the GDP figures from EUROSTAT or calculated by the respective Ministries of Finance of each economy or entity according to the production method. Where we converted GDP into EUR figures for comparative purposes, we have used the average annual exchange rates provided by the relevant Ministries of Finance and Central Banks.

Consolidated Public Revenue of the General Government: To compare the relative importance of local governments across settings we have generally used revenues - and not expenditures - as a share of the consolidated finances of the General Government. This is because: 1) data on revenues tends to be more consistent than data on expenditures at the subnational level, and 2) the revenue side has direct impact on the fiscal autonomy. By General Government Revenue, we mean the total revenues of the national government and its agencies, including the revenues of social, pension and health security public funds and those of subnational governments. For local governments we have excluded proceeds from borrowing.

General Grants: In most of SEE, local governments receive freely disposable (unconditional) General Grants from their central governments. In some places, the size of the relevant grant pools is legally pegged to some national macroeconomic indicators. Because these funds are allocated by formula, we consider them Grants, despite the fact that in some places they are popularly referred to as shared taxes. Unless otherwise indicated, we use the term Shared Taxes only for national taxes that are shared with local governments on an origin basis.

Conditional and Block Grants: Throughout SEE, local governments receive grants from higher level governments which they can only be use for particular purposes. We refer to these as Conditional Grants. Grants that are designed to help local governments fund a particular function (such as primary education), but which they are free to spend across that function as they see fit, we refer to as Block Grants. In many places however, the “block” function of Block Grants is limited due to other centrally imposed constraints on local spending. In the extreme, some “Block Grants” (particularly for primary and secondary education) make local governments little more than paying agents of the national government.

Shared Taxes: In most of the region, local governments are entitled to shares of national taxes generated in their jurisdictions (origin-based tax sharing). The most important shared tax is usually the Personal Income Tax (PIT), which is also usually accounted for officially as a Shared Tax. The Property Transfer Tax is also often shared (100%) with local governments but is usually misclassified as an own-revenue. In a few places, the recurrent property tax is shared between levels of government and in Romania, a small fraction of the Corporate Income Tax is shared with regional governments. In Macedonia the state shares with the municipalities the central proceeds from VAT, state-owned agricultural land lease and concession payments.






Data, Terms, and Methodological Issues

Own-Source Revenues: Own-revenues include locally imposed taxes; income from the sale or rental of municipal assets; fines, penalties, and interest; local user fees and charges; and fees for permits, licenses, and the issuance of official documents. Typically, the most important local tax is the Property Tax, though it is often not the single-largest source of own-revenue. Montenegrin and Croatian municipalities can impose local surcharges on PIT. In many places, the regulation of local fees and charges is weak, allowing local governments to use them as quasi-taxes. Particularly important in this respect are three fees inherited from the (Yugoslavian) past: the Land Development Fee, the Land Use Fee, and the Business Registration Fee (or Sign Tax). In most of the region however, the Land Development and Business Registration fees are being phased-out in the name of improving the local “business enabling environment”, while the Land Use Fee is being eliminated or constrained with the introduction or expansion of the Property Tax.

Important note: The local revenue data might be problematic because different places account for different revenues in different ways, and because in some places accounting classifications have changed over time. The classification of shared taxes is, maybe, the most misleading because of its substantial share of all local revenues. For example, in most places, only shared PIT is considered a Shared Tax, with shared Vehicle Registration and Property Transfer Taxes misclassified as Own-Revenues.

In Turkey, some shared PIT revenues are accounted for as Unconditional Transfers while in Slovenia some Unconditional Transfers are accounted for as shared PIT. Meanwhile in Croatia, some of what is accounted for as shared PIT should be recorded as an own-source revenue because it comes from locally imposed surcharges on personal income and not just from the centrally set shares. Finally, in most places we cannot separate Conditional Grants for specific investments or programs from Block Grants for social sector functions.

EU members in SEE: Measuring and evaluating the different aspects of decentralization is supposed to reflect exclusively the national efforts in this regard. The appropriate fiscal indicators should not be “contaminated” by external, non-domestic, factors. For economies, that are members of the EU (Bulgaria, Croatia, Romania and Slovenia), one such factor are the EU funds which flow primarily to the local level. Ideally, the data we have from member Association would clearly identify these grants flows. But, unfortunately, this is often not the case, and in a number of economies EU grants are simply not included in the national data we have or, if included, not separated from the domestic revenues. As a result, for the economies that are EU members, there are differences in the data we have on subnational revenues and expenditures and those reported by the EU. In some economies, these differences (especially significant in 2015) amount to between 1 to 3% of GDP when local government revenues or expenditures are calculated as a share of GDP.





Network of Associations
of Local Authorities
of South-East Europe

LOCAL GOVERNMENT FINANCE INDICATORS IN SOUTH-EAST EUROPE

STATISTICAL BRIEF
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