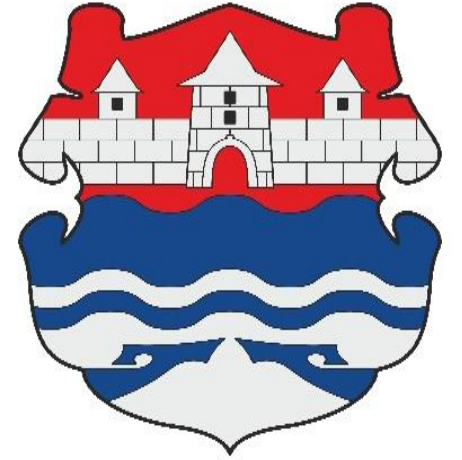


# City of Banja Luka – lessons learned in the implementation of MFSA



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# City of Banja Luka – city profile



- **Administrative center of the Republic of Srpska (57 sub-municipalities; Total area: 1.239 km<sup>2</sup>)**
- **Population in 2013-180.000 (estimate by the RS Statistics Bureau); Preliminary Census in 2013 BiH 199,190 (BiH Statistics Agency)**
- **Position: in BiH 2. place; in the RS entity: 1. place**
- **Economic potential: trade, IT, tourism, processing industry, agriculture**
- **City of greenery, youth, sports**
- **Extended candidacy for the European Capital of Culture for 2024.**
- **Economy: 9.500 companies, 7.750 entrepreneurs**
- **The City is majority or significant owner of 5 utility companies for: waste management and recycling, distribution of heating energy, water supply and sewerage management, sanitation and funeral services. Construction and maintenance of street lighting and road infrastructure are funded through public procurement procedures. Public transport services–City issues permits to private operators; Parking services – City administration**

Description	2013	2014	2015	2016
Total revenue in million EUR	86,9	59,3	60,8	65,3
Capital investments in million EUR	16,1	6,5	5,0	9,5
Debt outstanding, million EUR	100,5	96,5	88,9	81,4
<b>Economy</b>				
GDP real growth	1,9%	0,4%	2,6%	2,6%
Inflation	0,0%	-1,2%	-1,6%	-1,2%
GDP per capita RS	3089	3.144	3249	3.249
City active population	126.559	126.234	125.819	125.438
City employed population	61.470	61.821	63.678	65.330
City unemployment rate - % active population	23,0%	22,1%	20,4%	17,8%
<b>Demography</b>				
RS population	1.171.179	1.167.082	1.162.164	1.157.516
City resident population – Census and stats. projections	180.056	180.961	181.956	182.848

<b>Capital Investments Plan and sources of funding 2014-2018 in mil. EUR</b>				
<b>Project name</b>	<b>%</b>	<b>Total cost mil.EUR</b>	<b>Time</b>	<b>Sources of funding</b>
<b>1. ECONOMY AND TOURISM</b>	<b>16,88%</b>			
1.1. Business zone Ramići		<b>14,70</b>	<b>2014-2018</b>	own-sources, loans and grants
1.2. Reconstruction of the fortress "Kastel"		<b>20,45</b>	<b>2014-2020</b>	own-sources and grants
<b>2. ROAD INFRASTRUCTURE</b>	<b>9,62%</b>			
2.1. Reconstruction of the central pedestrian zone		<b>2,51</b>	<b>2015-2020</b>	own-sources, loans
2.2. Construction of the road to Priječani+ East Transit Road		<b>3,01+0,75</b>	<b>2015-2020</b>	own-sources, loans
2.4. Construction of the bridge over the river Vrbanja		<b>0,85</b>	<b>2015-2016</b>	own-sources
<b>3. UTILITY INFRASTRUCTURE</b>	<b>53,77%</b>			
3.1. Reconstruction of street lighting through installment of LED lighting		<b>5,25</b>	<b>2016-2022</b>	own-sources, PPP
3.2. Regional water supply system "Crno Vrelo"		<b>6,03</b>	<b>2016-2020</b>	own-sources, loans , RS Government
3.3. Water supply and sewerage system		<b>70,38</b>	<b>2007-2025</b>	own-sources, KFW loan
3.4. Reconstruction of district heating system -2 new boilers, biomass		<b>22,95</b>	<b>2016-2020</b>	own-sources, loans
4. HOUSING CARE socially vulnerable categories	3,16%	<b>6,54</b>	<b>2015-2016</b>	own-sources, RS Government
5. HEALTH CARE – outpatient units of family medical care	0,27%	<b>0,55</b>	<b>2016-2017</b>	own-sources, RS Government
<b>6. SPORTS</b>	<b>1,14%</b>			
6.1. Construction of auxiliary fields and sports hall		<b>1,10</b>	<b>2016-2017</b>	own-sources, PPP, bonds
7. CULTURE –reconstruction of Banski Dvor	0,59%	<b>1,26</b>	<b>2016-2020</b>	own-sources, loans
8. EDUCATION-construction of kindergartens	5,14%	<b>1,01</b>	<b>2015-2020</b>	own-sources
9 ENVIRONMENT PROTECTION- waste separation	7,23%	<b>5,03</b>	<b>2016-2017</b>	external sources of funding

# Financial situation

- ❑ Operating margin and net margin increased - positive changes
- ❑ Decreasing debt burden, but still high annual share debt service in current revenues
- ❑ Ratio analysis- need for higher fiscal autonomy
- ❑ Share of capital investments shows volatility (in 2013, 5 mil EUR invested in Toplana capital). Completed loan refinancing procedure in 2017, ( 35,9 mil. EUR), conditions for additional capital investments created
- ❑ Construction of new heating plant
- ❑ Realistic planning
- ❑ Problems related to funding of capital projects – significance of self-assessment-MFSA and Action Plan

Criteria /Ratio	Benchmark	2013	2014	2015	2016
<b>1. Credit worthiness</b>					
Current surplus before interests / Current revenues	> 0.3	0,23	0,23	0,29	0,32
Net current surplus (after debt service) / Current revenues	> 0.2	-0,28	-0,03	0,08	0,1
<b>2. Indebtedness</b>					
Debt balance / Current surplus	< 10 god	7,9	7,9	5,4	4,1
Debt service / Overall current revenues	< 10 %	51%	26%	21%	23%
<b>3. Fiscal autonomy</b>					
Own-source taxes and non-cash transfers /Overall current revenues	> 80 %	35%	37%	38%	41%
<b>4. Capital investments</b>					
Capital expenditures / Current revenues	> 40 %	29%	11%	9%	16%
<b>5. Level of service</b>					
Maintenance costs / Current expenditures	> 15 %	8%	7%	8%	9%
<b>6 Other</b>					
Payroll and wages / Current expenditures	< 40 %	43%	43%	45%	44%
Realized income / Planned revenues	> 95 %	94%	92%	102%	95%
Overall financial asset / Overall financial obligations	1,02	1,12	1,12	1,22	1,27

# Financial self-assessment

## Implementation

Financial Improvement Action Plan (financing estimate of around 750,000 EUR)

### Goal I –Improvement of financial situation

- ✓ Amended regulations, increased share in tax income distribution, improved control over implementation of tax regulations
- ✓ Introduction of new utility fees- so-called environmental taxes
- ✓ Long-term debt restructuring
- ✓ Income management from immovable property tax, utility contributions (database), rental contributions
- ✓ Implementation of public-private partnership model and the “Asset Management ” Project

### Goal II –Improved local funds management

- ✓ Advanced budgeting program, credibility and reality
- ✓ Development of financially sustainable “Capital Investments Plan” and new “Development Strategy”
- ✓ Advance control over budget execution (centralized procurement, improved analysis and implementation monitoring, prevent unplanned additional liabilities)
- ✓ Additional internal audit control
- ✓ Improved budget liquidity (collection of all receivables)

- ❑ Ongoing preparations for takeover of immovable property tax collection (as of 2019)
- ❑ Ongoing activities related to aggregation of database, new software for collection of rental and utility contributions and other non-tax income
- ❑ “Asset Management“ Project-inventory, transitional questions, classification, assessment, financial analysis of the asset portfolio
- ❑ Developing model of the continuous evaluation of budget execution, public procurement monitoring and implementation of contract
- ❑ Adopted new criteria and indicators of financing sports and categorization of sports clubs
- ❑ Developing procedures and instructions regarding all fields and functions in line with the new Law on Public Sector Internal Audit



# Development and plans

## Vision

❖ **Modern European city and recognizable regional center,**

**founded on human rights, where citizens and visitors have equal possibilities to participate in the city life, and where young people have prominent place**

❖ **Safe, humane and urban environment for healthy life,**

**With rich cultural and sports events recognizing and respecting entrepreneurship, knowledge, skills and results**

**New development strategy-MIPro Methodology UNDP**

**Clear objectives, measurable results**

**Education and demography**

**Urban planning**

❑ **MFSA- Continuous updating and self-assessment, instrument that is useful for the City management, training of employees, development of databases, transparency**

❑ **New position of the city as a regional tourist and cultural destination with an aim to increase employment and revenues**

❑ **New models of financing capital projects - PPP and capital market (bond issue)**

❑ **Capital investments plan – strategic distribution of resources based on defined priorities, evaluation of overall costs and effects**

❑ **Improved transparency in budget planning and spending of public funds**

❑ **Transfer to program budgeting**

❑ **New methodologies for program evaluation and co-financing of non-governmental sector, monitoring of purpose spending of allocated funds**

❑ **New models of subsidies and support to business entities (guaranty fund)**