



WORLD BANK-AUSTRIA

URBAN PARTNERSHIP PROGRAM – II

Republic of Serbia

CITY OF SUBOTICA
Action plan for improving city finances

Skopje, 14-15 November 2017



CITY OF SUBOTICA

FINANCIAL POSITION 2011-2015

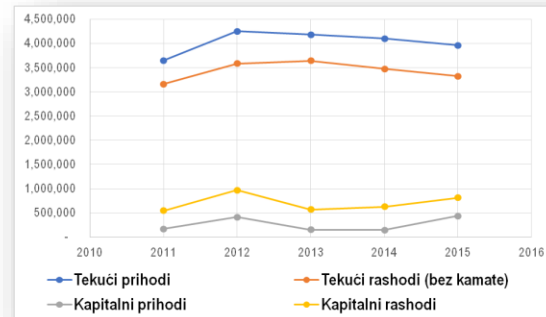
(000 000 RSD)	2011	2012	2013	2014	2015	Growth	(M EUR)
Current revenues	3,652	4,249	4,186	4,098	3,965	2%	32.6
Current exp. without interest	3,162	3,586	3,643	3,474	3,322	1%	27.3
Current surplus before interest	490	663	543	623	644	7%	5.3
Debt and interest repayment	135	164	174	192	213	12%	1.8
Net-current surplus/margin	355	499	369	431	430	5%	3.5
Capital revenues	171	410	153	147	434	26%	3.6
Own capital revenues	138	379	123	126	169	5%	1.4
Capital transfers & donations	33	31	31	21	265	68%	2.2
Capital expenses	546	972	569	629	813	10%	6.7
Situation after investment	(20)	(63)	(46)	(51)	51		0.4
Surplus from previous years	446	478	401	402	313	-8%	2.6
Income from loans	116	3	1	-	206	15%	1.7
END OF YEAR STATUS	542	417	356	352	570	1%	4.7

By harmonizing current expenditures with realized current revenues the City has achieved a stable and increasing surplus in its operational budget, in spite of the frequent changes in fiscal policy of the Government of the Republic of Serbia.

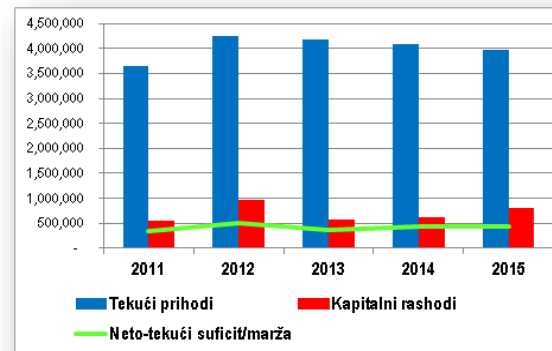
The increasing operational results, together with the regular surplus, confirm that the City has significant self-financing capacity.

The accrued liquidity enables the increase of the City's capital investments in the future.

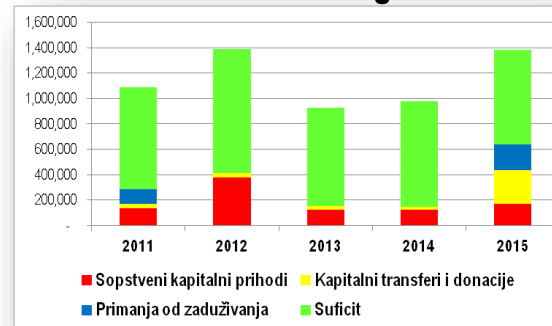
Growth of revenues and expenditures



Operational net result



Investment financing sources





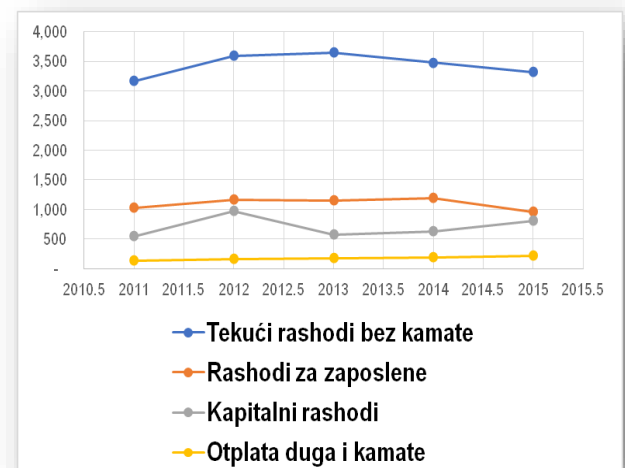
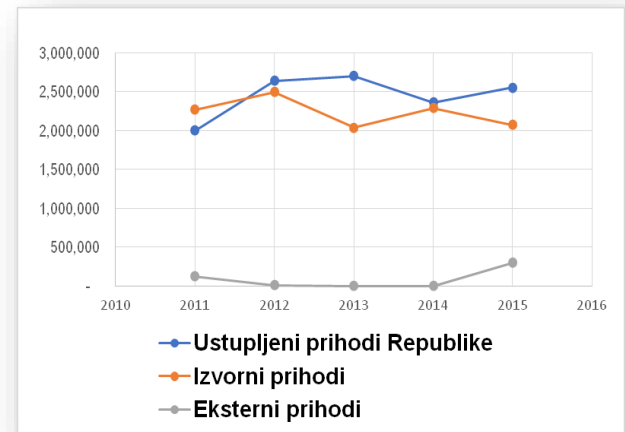
REVENUE AND EXPENDITURE ANALYSIS 2011-2015

000 000 RSD	2011	2012	2013	2014	2015	Growth	Structure
State transfers	1,999	2,638	2,704	2,360	2,551	6%	52%
Own-source revenues	2,265	2,496	2,037	2,287	2,073	-2%	42%
External revenues	121	6	1	-	295	25%	6%
Total revenues	4,385	5,139	4,741	4,646	4,918	3%	100%

The slower growth of own-source revenues has increased the City's financing dependency on Republic taxes and transfers. This shows a need to assess the opportunities for increasing the own-source revenues of the City in the future, in accordance with the law.

000 000 RSD	2011	2012	2013	2014	2015	Growth	Struct.
Current exp. without interest	3,162	3,586	3,643	3,474	3,322	1%	76%
Expenses for employees	1,032	1,158	1,151	1,192	953	-2%	22%
Capital expenses	546	972	569	629	813	10%	19%
Debt repayment and interest	135	164	174	192	213	12%	5%
Total expenses	3,843	4,722	4,386	4,295	4,348	3%	100%

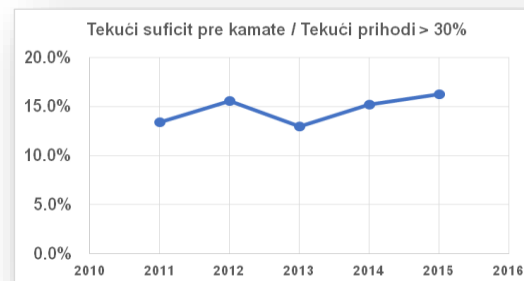
Current expenditures control, together with reduced expenses for employees, have enabled the increase of capital expenditures and debt servicing. This trend should continue in the future in order to increase investment activities.



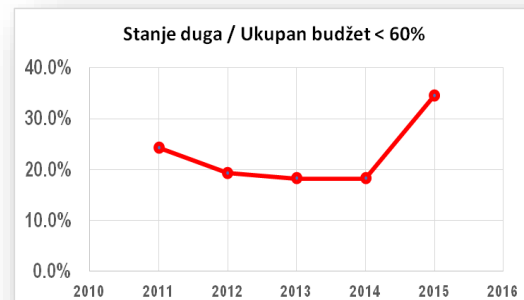


Indicator		2011	2012	2013	2014	2015
1 Creditworthiness						
Current surplus before interest/current revenues	si > 30%	13.4%	15.6%	13.0%	15.2%	16.2%
2 Indebtedness						
Debt / Current surplus	< 10 y	2.4	1.6	1.7	1.4	2.7
Debt repayment / Total current revenues	< 10 %	3.7%	3.9%	4.2%	4.7%	5.4%
Debt / Total budget	< 60%	24.3%	19.3%	18.2%	18.2%	34.5%
Revenues from loans / Total current revenues	< 15%	3.2%	0.1%	0.0%	0.0%	5.2%
3 Fiscal autonomy						
Taxes, fees, transfers and unconditional transfers / Total current revenues	ers / > 80 %	100%	100%	100%	100%	100%
4 Level of investment						
Capital expenses / Total current revenues	> 40 %	15%	23%	14%	15%	21%
Investments from capital transfers / Total capital expenses	< 50 %	5%	3%	5%	3%	22%
5 Sustainability level of services						
Maintenance and repair costs/Current expenses	s > 15 %	0%	0%	6%	5%	8%
Collected fees/Invoiced feed	> 90 %	92%	92%	75%	80%	79%
Collected taxes/Calculated taxes	> 90 %	98%	96%	94%	95%	98%
6 Other indicators						
Employee expenses / Operational expenses	< 40 %	32%	32%	31%	34%	28%
Total number of employees / 1000 inhabitants	< 25	8	8	8	9	9
Realized revenues / Planned revenues	95<A/P<1.05	95%	93%	95%	92%	88%

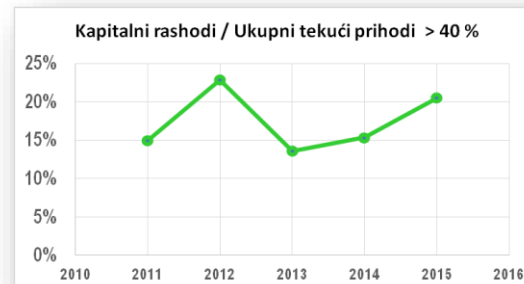
CREDITWORTHINESS



INDEBTEDNESS



LEVEL OF INVESTMENT



The excellent fiscal performances with stable current surplus leave room for its future growth, by increasing creditworthiness.

The self-financing capacity of the City can be increased through the collection of local own-source revenues and continuing the good practice of rationalizing current expenditures.

The level of indebtedness enables the increase of City investment activities by greater utilization of external sources of financing, loans and private capital.

Results of self-assessment of municipal finance in Serbia according to World Bank's PEFA methodology – 21 April 2017

CRITERION/INDICATOR	Grade	
	MFSA	PEFA
A. REALITY (REALIABILITY) OF THE BUDGET	4.25	B
B. COMPREHENSIVENESS AND TRANSPARENCY	5	A
C. BUDGETING PROCESS		
C1. Budget based on public policies	2.5	D
C2. Predictability and monitoring of budget implementation	3.7	B
C3. Accounting, recording and reporting	5	A
C4. External control and audit	4	B
D. TRANSFER/DONATION ALLOCATION PRACTICES	4	B

The weakest links in the process of managing municipal finances are:

- **Strategic allocation of resources through budget planning for achieving the goals of public policies**
- **Predictability and monitoring of budget implementation, with focus on revenues**

The Seven Pillars of PFM Performance



Budget reliability



Transparency of public finances



Management of assets and liabilities



Policy-based fiscal strategy and budgeting



Predictability and control in budget execution



Accounting and reporting



External scrutiny and audit



CITY OF SUBOTICA

ACTION PLAN FOR IMPROVING CITY FINANCES 2017 - 2020

GOAL/MEASURE	ACTIVITY	UNTIL	CARRIER
GOAL: IMPROVING BUDGET REALIABILITY			
STRENGTHENING OPERATIONAL CAPACITIES FOR COORDINATION AND BUDGET PLANNING OF PUBLIC INVESTMENTS	Implementing institutional capacity building of administrative bodies for performing the necessary analyses, planning and budgeting	IV quarter 2017	Finance Secretariat in cooperation with MF and MPALS
GOAL: IMPROVING THE BUDGET PROCESS			
IMPROVING BUDGET PLANNING	Improved coordination and harmonization of planning and programming with the budget calendar	IV quarter 2020	Ministry of Finance
IMPROVED PLANNING OF CAPITAL PROJECTS	Harmonization of planning, evaluation and selection of all capital projects regardless of sources of funding (republic or local budgets, EU funds and other sources) and reporting	IV quarter 2017	Ministry of Finance i Finance Secretariat of the City – Budget Sector
	Evaluation of public investment projects proposed by budget users and preparation of an implementation plan	IV quarter 2017	
	Monitoring of the implementation of approved capital projects and proposing measures to improve the planning and implementation of public investment projects	II quarter 2018	
GOAL: IMPROVING CREDITWORTHINESS			
IMPROVED COLLECTION OF REVENUES	Mapping the process regarding existing ties between the Tax administration and other registry systems and regulations in the finance sector; evaluation of capacities for interlinking of different registers online; and defining a road map and deadlines for resolving this issue	IV quarter 2017	Secretariat of the local tax administration in cooperation with MF and MPALS
	Revision and updating of laws and regulations, including criminal legislation regarding penalties for violations of the regulations of the obligation for registration and submission of reports	IV quarter 2018	
	Improving control mechanisms in order to receive accurate information on due unpaid obligations. Application of more effective penalties for late payments in order to motivate timely payment.	I quarter 2018	



CITY OF SUBOTICA

REALIZATION OF THE ACTION PLAN

Activities that the City has undertaken while waiting for support/instructions by the Ministry of Finance in the process of Public Finance Reform:

- 1. Respecting the budget calendar**
- 2. Monitoring public policies with an emphasis on fiscal discipline, strategic goals of the City and evaluation of local revenue policies – with the aim of strategic allocation of city resources**
- 3. Preparation of mid-term frame of budget revenues and expenditures of the City**
- 4. Strengthening operational capacities of budget users – submitting guidelines for preparation of mid-term financial plan (2019-2022)**
- 5. Improved coordination of capital investment planning and budget process**



Tank you for your attention!

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