

World Bank-Austria Urban Partnership Program

Municipal Finance Review

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Support to decentralization

- Foundations are set: decade long fiscal decentralization reforms in SEE
- Refining and targeting local policies:
 1. going beyond national averages; understanding government tiers' role, functions
 2. managing municipal disparities by type, size, location: quantify shortcomings, assessing impact
 3. identifying own source revenue capacities
 4. refining grant allocation methods; testing alternative models
 5. financing capital investments
 6. assessing financial health of municipalities

How municipal datasets can help?

- *National government*: detailed information for fiscal planning (annual budget, grant design)
- *Local governments*: learning from each other in
 - own source revenue raising (benchmarking)
 - lower unit costs of services (self-evaluation tool)
 - city marketing, attracting investors (municipal profile)
- *Local government associations*:
 - budget negotiations
 - policy development: taxation, cutbacks, subsidies
 - public administration reform

UPP Municipal Finance Review

Compiling municipal finance datasets

- MFR I: 2008-2011
- MFR II: 2012-2105/2016

Parallel programs:

Albania: Local Finances Platform



Croatia: Budget visualization



Montenegro: Fiscal transparency



Macedonia: Costing public sector

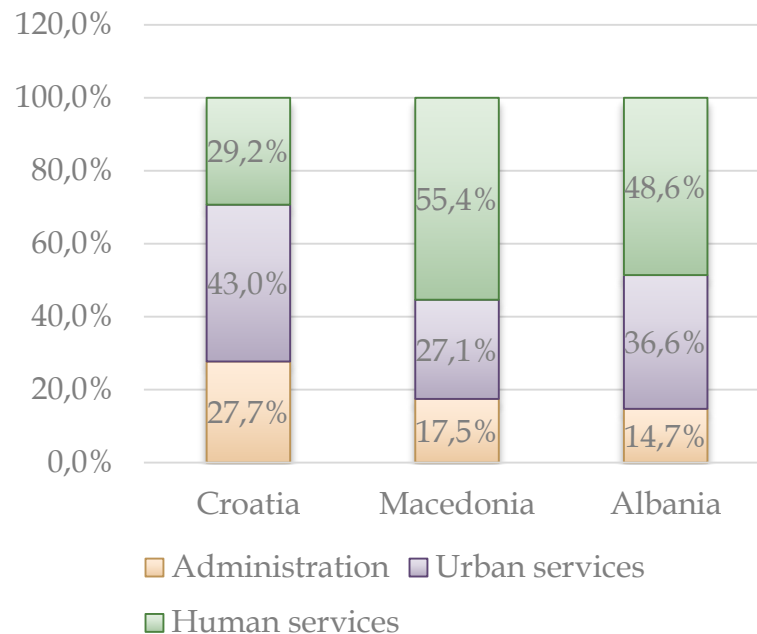
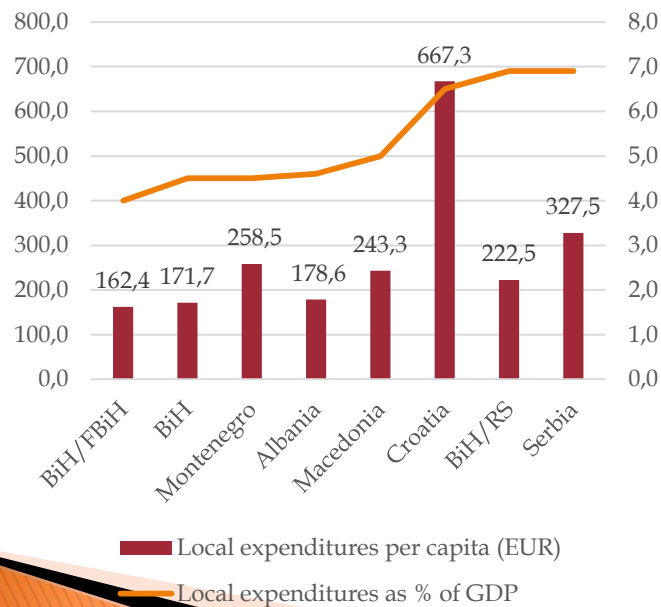


Serbia: Statistical Office



MFR-II report: analyzing fiscal data and indicators

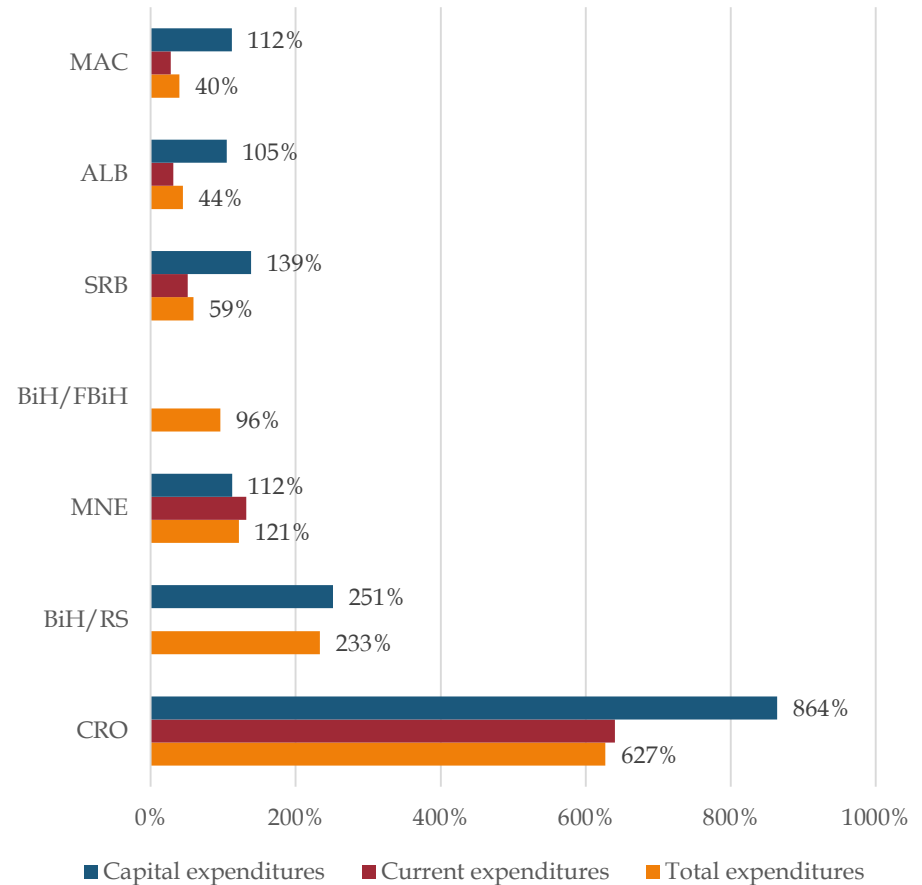
1. Local government structures: large size, single tier *or* fragmented, two tier models
2. Municipal roles, functions



MFR-II: pressure for equalization

3. Disparities in per capita expenditures

- Higher in fragmented countries (CRO)
- Education claims for equalization (MAC)
- More dispersed capital investments (except MNE)
- Declining trend, but CRO: high EU funds
SRB: large, diverse country



MFR-II: explaining variations

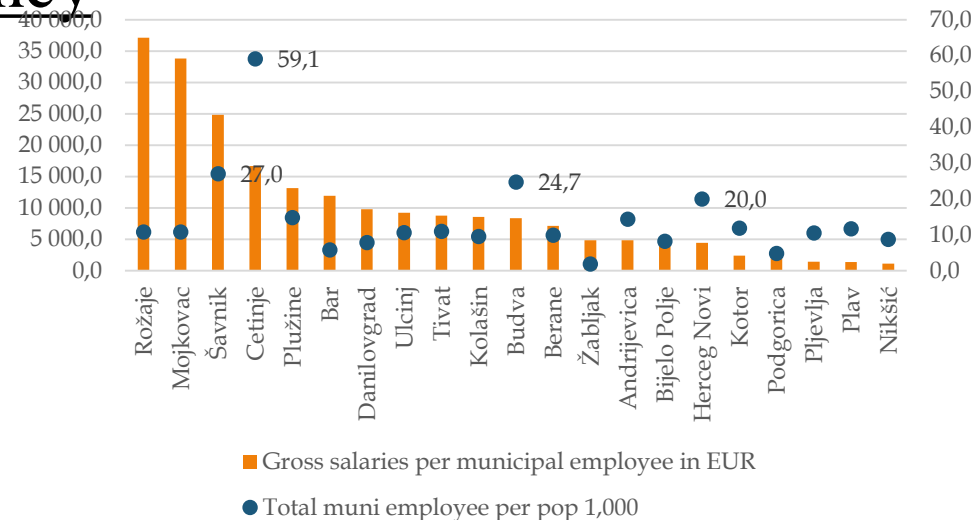
4. Local government revenues

- high conditional grant dependency (ALB, MAC)
- diversity in own source revenues => need for revenue equalization

5. Municipal service efficiency

Unit costs decline by size
(except capital cities)

Regulated employment ↔
diverse administrative costs



MFR-II: cross country financial assessment

6. Diverse capital investments (related to economic development)

Municipal financial assessment proxies:

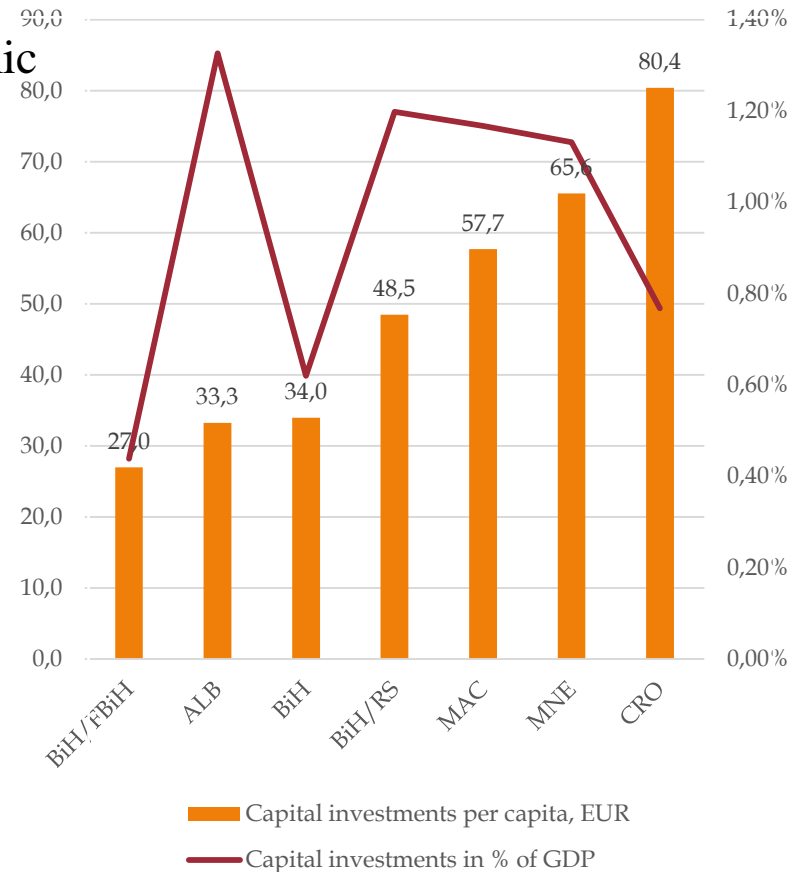
- Operating savings/current revenues
- Debt service/current revenues
- Net savings/current revenues
- Debt financing/total revenues
- Closing balance/total revenues

⇒ Do not meet the international benchmarks

⇒ *but* stable over time

⇒ Factors of differentiation:

- regional position (MNE, MAC)
- administrative status (SRB)
- population size (CRO)



Municipal Finance Review: future steps

1. Continuous, regular datacollection
2. Developing more detailed fiscal datasets
3. Making databases transparent, public
4. Introducing user friendly indicators, assessment tools
5. Supporting local analytical capacities
6. Marketing MFR
7. Making MFR international in the SEE region