



CONCEPT AND METHODOLOGY

FOR SEE DECENTRALIZATION OBSERVATORY

December 2016

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This paper is prepared under Activity 1.3. Completion of study/report Concept and Methodology for SEE Decentralization Observatory and incorporates the findings and recommendations made during the execution of the two previous activities: Activity 1.1 Desk research and assessment of the current practices in regional monitoring of the decentralization processes and delivery of public services in SEE and Activity 1.2 Elaboration of overall draft for Concept and Methodology for SEE Decentralization Observatory.

Project:

Towards SEE Regional Decentralisation Observatory

financed by the Regional Cooperation Council and implemented by NALAS,
a Regional Dimension Coordinator for SEE 2020 Strategy, Pillar Governance for Growth

1. DESK RESEARCH ASSESSMENT

The survey carried-out among the seven countries¹ in September 2016 shows a very diverse picture in terms of the key aspects of the decentralization efforts both on **substance**:

- ➔ Decentralization policies at national level,
- ➔ Regulatory impact assessment policies at national level,
- ➔ National policy for administrative reform, and
- ➔ Public service responsibilities and, respectively, expenditure assignments among levels of government.

and **procedures**:

- ➔ Intergovernmental policy dialog,
- ➔ Inter-municipal dialog vis-s-vis the dialog with the central government and the role of the LGAs.

The issue of decentralization everywhere in the region is in fact a matter of national process driven by implementation policies, developed by the central governments. On the other hand in quite few countries the implementation progress is measured by objective performance indicators. In this rare case the measuring is done by the central government. The role of the LGAs in this process is also diverse - mainly in developing the national policies jointly with the central government but also in monitoring the implementation and, more rarely, in implementing the policy.

The regulatory impact assessment (RIA), as a process, is legally formalized in most of the countries, generally by rules and procedures of the central government. In one country the process is under development and in another one – nonexistent. In less than half of the countries RIA is compulsory but there is also a case, when the central government decides whether to conduct RIA or not.

Everywhere in the region one can find national policies aimed at improving the overall public administration capacities, with LG administrations generally included in the process. The main areas for improvement are trainings on horizontal policies and on specific skills, e-government and human resources. LGAs are

¹ Albania, Bosnia i Hercegovina Federation, Kosovo, Macedonia, Montenegro, Republic of Srbska (BiHF), Serbia.

usually involved via working groups at policy level and their roles can be defined as training providers, dissemination and implementation of practices at local level. In various places specific results are identified such as rationalization of the electronic administrative processes, cutting down procedures and number of required documents for administrative services, establishing network of municipal professionals and provision of extensive trainings in a fast changing regulatory environment.

In the area of public service responsibilities among levels of government, it is important to note that the local government laws list the service delivery responsibilities of the local governments. In addition to that in most countries the local governments are free to decide whether to provide additional services if required by the citizens. In the same time the CG tends to use LGs proximity to citizens as providers of national services such as primary and secondary education, health-care etc. In several countries this is seen as the main origin of the unfunded mandates at local level.

There is a solid ground in all of the countries for effective policy dialog between the central and local level – the LGAs are legally recognized as the voice of the LGs. Not surprisingly the most common topics for dialog are distribution of revenues, fiscal policy, financing of the local self-governments, annual budget cycle, regional and local economic development, urban planning, illegal construction and investments. The forms of the dialog vary – working groups, joint commissions, consultative bodies; it is not rare to observe written agreements with the CG, specific ministries or the Parliament as basis for reform initiatives. Despite these positive experiences the politically driven decisions of the CG often undermine the common municipal policy agenda and create tensions among the LGs.

Logically the capacity of the LGAs in the policy dialog is diverse – half of the LGAs have capacity to assess proposed legislation in terms of additional financial and administrative burden transferred to municipalities. On the other hand all LGAs can actively develop their own or alternative (to the central governments') draft legal proposals and amendments. There is also a number of new legal acts entirely developed by the LGAs and adopted into practice by the national Parliaments.

2. REVIEW OF EXISTING MONITORING/OBSERVATORY SYSTEMS

The purpose of this section is to demonstrate that, despite that decentralization is a concept that is not easy to define, and perhaps even harder to measure, a number of tools have been developed to reliably measure the level of the political, administrative and fiscal decentralization across various countries. The multilateral development and funding agencies are the most active in this field but international LG associations also put a lot of efforts. NALAS' own experience fits perfectly into the rationale of finding the best solutions for measuring the decentralization and building a common reform agenda.

The table below provides the basic features and compares the methodologies used by the most important institutions in the area of measuring the decentralization.

	Purpose	Quantitative or Qualitative	Data Source	Dimensions	Number of Countries	Unique features
IMF GFS	Collection of government financial data for statistics and fiscal analysis.	Primarily quantitative	Public government records	Fiscal and administrative data for central, state & local government levels and public corporations.	Over 130	Largest government financial database
World Bank Fiscal Decentralization Indicators	Assembly of a broad data set specifically focused on measuring decentralization across a large sample of countries.	Both	Quantitative: IMF GFS Qualitative: Secondary sources (existing studies).	Quantitative: Revenue and expenditure shares, reliance on intergovernmental transfers Qualitative: Fiscal and administrative	Quantitative: Over 130 Qualitative: Variable depending on metric, up to 68	Breadth of data
OECD Fiscal Decentralization Database	Clarify the balance between national control and local autonomy, and the use of fiscal allocation.	Both	Quantitative and qualitative; survey data from existing OECD databases and country respondents.	Revenue and expenditure shares, intergovernmental fiscal relations.	Up to 16	Detailed qualitative surveys on intergovernmental transfer relationships
UCLG Indicators on Decentralization GOLD	Capture the reality of local governments as reported by experts and local and regional authorities.	Mainly qualitative	Qualitative surveys data of expert panels and local and regional government officials. National data provided by national experts Eurostat	Fiscal, political and administrative, as well as intergovernmental relations. Revenue and expenditure shares, intergovernmental fiscal relations.	Over 100 countries planned for inclusion.	Use of composite indicators
NALAS FD Report	Capture the reality of local governments as reported by experts and local authorities.	Primarily quantitative	National data provided by national experts Eurostat	Revenue and expenditure shares, intergovernmental fiscal relations.	13	Use of composite indicators

IMF GFS

The data is typically prepared by the Ministry of Finance of each IMF member country. The GFS methodology recognizes three levels of government: central, regional and local. "Institutional unit" - an entity that can own assets, incur liabilities and engage in economic activities and transactions with other entities. Many government fiscal activities are conducted by public corporations, and that a complete analysis of public sector activities requires their inclusion. Does not always present local government finance data for devolved countries. Limited availability of local government finance data. Permits only a limited analysis of the state and local government finances and the extent of decentralization in particular countries.

World Bank Fiscal Decentralization Indicators

Applies four categories of qualitative measures of decentralization:

- ➔ the nature of expenditure assignments,
- ➔ revenue assignments,
- ➔ the institutional-regulatory framework for subnational borrowing, and
- ➔ the institutional characteristics of the transfer system from central to local governments.

The indicators limit themselves exclusively to the fiscal dimension of decentralization: little or no information is available regarding the political and administrative institutions guiding the operation of the local public sector. The qualitative indicators are highly aggregated and difficult to integrate with the quantitative data sets.

OECD Fiscal Decentralization Database

Provides analysis and statistical review on the relationship between central and sub-central government, and its impact on efficiency, equity, and macroeconomic stability, for both federal and unitary countries. Describes the local and regional taxing powers, the size and design of intergovernmental transfers, fiscal equalization, budget autonomy of sub-central governments and the institutions to ensure fiscal discipline. The Fiscal Design Survey collects in-depth data from national and subnational governments that either collect taxes or receive portion of the tax revenue to use for government service delivery. Three levels of government:

the CG (including all its departments and agencies), regional intermediate units of government that have some control of their own, and LGs with some control of their own over their territory or domain.

UCLG Indicators on Decentralization

Established in 2004 as global advocacy organization that represents and defends the interests of local governments on the world stage and comprises 112 local government associations.

Launched its *Global Observatory on Local Democracy and Decentralization* (GOLD) in 2006. GOLD is an effort to collect and share information, knowledge, and best practices regarding local governance, democracy and decentralization. GOLD I in 2007 and GOLD II in 2010 with basic profiles of 96 countries. There are concerns about the robustness of the methodology used and the data collected by UCLG. UCLG is a member-driven advocacy organization rather than an independent research institute and, as such, UCLG's interest is exclusively on elected local governments. Incomplete tool for the study of decentralization in all of its forms.

NALAS FD Report

NALAS is also a member-driven, results-oriented advocacy organization aimed at how to better serve the members.

The positive side - reliance on its member LGAs (or by in-house experts) for data collection purposes which results in good data collection coverage-both in terms of country

details and the number of countries covered.

The negative side - the data collection approach limits the robustness of the resulting dataset, as its metrics are not always consistently defined, data is not always collected by relevant experts, and central quality assurance is sometimes questionable.

Note: other NALAS products such as the Benchmarking on Solid Waste Management in South-East Europe could also be taken into consideration, especially in using appropriate, practice-checked indicators. On the other hand, at this stage, it is premature to fully incorporate them into the RDO, unless these products start to be produced on a more regular basis.

Each of the first four institutions, according to their objectives, use different sets of data sources, types of indicators, countries coverage etc. From this prospective none of them provides a comprehensive and indisputable set of metrics that describes the structure and functioning of the local public sector in a country in a comparative manner. That is why NALAS has to clearly identify its members' needs and use selectively any existing approaches which suit best these needs. To that extend the experience of UCLG, which is also a membership organization, should be closely examined and, at a later stage, possibly trying ways to cooperate with.

Nevertheless an "ideal" RDO on the nature of decentralization and the functioning of the local public sector might have the following key characteristics:

- ➔ The data collection methodology should include both quantitative and qualitative decentralization indicators;
- ➔ It should capture
 - the basic organizational structure and governance of the local public sector;
 - the fiscal structure of the local public sector; and
 - qualitative measures of the political, administrative and fiscal processes at subnational level;
 - functional/sectoral service-delivery arrangements and measures at local/subnational level.
- ➔ Whenever possible, the data collection should rely on existing definitions and measures.
 - Indicators of the local public sector's organizational and governance structures could draw on the indicators incorporated in GOLD I (UCLG 2008);
 - The quantitative measurement of subnational expenditures, revenues and intergovernmental fiscal flows could use the IMF GFS classification system as its starting point;
 - The World Bank qualitative indicators of subnational indicators may be fully used.
- ➔ Guiding good management practices such as The 12 principles for good governance at local level of the COE and the OECD Principles on Water Governance could be fully incorporated.

3. MAIN FUNCTIONS/USES OF THE RDO

As mentioned above, the real needs of the member LGAs will shape the functionality of the RDO at NALAS. This approach is not new – for example the FD report, which is expected to be the founding stone of the IRDO, keeps evolving each year in terms of its content following the specific needs of the LGAs. During the workshop in October 2016 the participants elaborated an initial list of potential uses of the database and prioritized four of them (1-highest priority) according to the needs of each LGA. The table below illustrates the ranked results.

Prioritized answers Uses	1	2	3	4	Total answers
To observe	4			3	7
To guide and recommend	4	4	1		9
To assess policy choices	3	4	1	1	9
Advising the LGA's members	1	3	2		6
Advising the national governments	1	1	2	3	7
Benchmarking	1	2	2	1	6
Rationale for projects	1	1	4	2	8
Good practices from the EU	1	1	3	4	9

The “champions” uses are those, selected 9 times by the participants – to guide and recommend, to assess policy options and to implement good practices from the EU and the first two accumulated the highest priorities (1 and 2) – 15 answers total). The other uses are not far behind in terms of ranking and it is really hard to omit any of them of the full functionality of the RDO.

4. MAIN INFORMATION AND CONTENTS CHALLENGES

During the workshop the audience elaborated on what kind of information they expect to find in the RDO. The initial list consist of two sets of information:

The core:

- ➔ Legal arrangements and regulations,
- ➔ Raw data - consolidated local finance data per country (*city by city data at a later stage*)
- ➔ Fiscal indicators including intragovernmental transfers,
- ➔ Service performance indicators for efficiency (cost per unit) and effectiveness (users served),
- ➔ Case-studies and practices.

The extended: the core+

- ➔ Measuring capacity at local level,
- ➔ Policy vs. politics,
- ➔ Fiscal gap,
- ➔ Gap between laws and their implementation,
- ➔ Social inclusion – gender, social, youth,
- ➔ Public-private partnership,
- ➔ Integrity of local elected officials (WB indicators),
- ➔ Corruption/conflicts of interest,
- ➔ Citizen participation,
- ➔ All municipal competencies,
- ➔ Examples from countries beyond the EU,
- ➔ The COE Charter of local self-government – how the recommendations are implemented in the different countries.

Obviously some of the needs cannot be covered or are way beyond the purposes of a typical RDO because they deal with almost all aspects of local governance, including citizen participation. On the other hand it shows clearly a much vaster “thirst” for information that could be approached by NALAS via other means.

Following the “ideal” RDO features and the participants’ recommendations, the RDO’s initial design should be based on smaller number of information and indicators. In other words the core list will be the result of two factors at national level:

- ➔ Data availability;
- ➔ LGA’s capability to compose comparable data, to calculate indicators and feed them to the RDO.

Some of the data processing has to be done at NALAS, but obviously the main source identification, data provision and data reliability checks have to be done by the LGAs.

5. RDO'S MAIN CONTENTS

Following the good examples of the existing methodologies and the NALAS's experience in producing the FD report, the core content might consist of three sections:

5.1 SEE Regional Index on Decentralization - ranking of countries on the basis of the country profiles in 5.2.

5.2 Country profiles - comparative description with main quantitative indicators

- ➔ Key macro indicators – population, territory, GDP
- ➔ Organizational structure and governance of the public (local) sector;
- ➔ Institutional indicators: structure of the state, responsibilities, tax system, on-going reforms
- ➔ Macro-economic indicators including the fiscal structure of the (local) public sector
- ➔ Local revenues and expenditures/national revenues and expenditures
- ➔ Financial indicators: composition of local revenues and expenditures, reliance on transfers, typology of the transfers, fiscal autonomy, investment effort, debt burden and payments
- ➔ Description of own vs. shared vs. delegated functions
- ➔ Expenditure assignments among levels of government for the most typical public services
- ➔ Municipal borrowing framework – levels of local discretion.

Appendix 1 contains a detailed list of proposed indicators.

5.3 Sub-national country profiles - qualitative indicators

- ➔ Levels of political, administrative and fiscal decentralization
- ➔ Stability of the legislation related to the local governance - *number of legal amendments per year/five years*
- ➔ Policy dialog – forms and results, capacity and good practices of the LGAs; *number of LGs' legal initiatives incorporated into laws – per year/five years; number of laws consulted with LGs/LGAs; number of laws proposed directly by LGs/LGAs.*
- ➔ Key local public services delivery responsibilities – *decentralized/deconcentrated and performance indicators*
- ➔ Legally imposed expenditure assignments – *total number/funded/unfunded; total amount/funded/unfunded*
- ➔ Administrative burden – *number of public servants per 10,000 citizens; central/municipal*
- ➔ Service delivery (for specific service)
 - *People served of total: urban/rural areas, clients served*
 - *Costs per unit - operational, including labor, capital*
 - *Performance indicators – school dropouts, crime level (public safety), number of socially included people/total eligible for inclusion*
 - *If user fees are collected – level of costs coverage*
 - *Typology of street/roads network – poor/fair/good.*

The final list of areas and indicators should be extensively consulted and agreed upon with the LGAs in order to make sure, that all of them have the necessary data availability, skills and capacity to track, assess and measure the indicators.

5.4 Citizens' perceptions and input

Besides the extensive use of comparable indicators and the success of the national reform efforts, the final say on whether a progress is made in terms of improving the everyday lives, belongs to the citizens and the taxpayers. NALAS may carry out regular sociological citizens' perception surveys every two years and the results will become an integral part of the RDO. A well-designed uniform survey can measure the degree of peoples' satisfaction of the various tiers of government/public institutions (central executive government, Parliament, police, army, courts and local governments) and main services (healthcare and public health, education, utilities, urban planning, social mobility etc.). This feature, unique for NALAS, among other clear benefits, will inform the LGAs and the individual countries political levels on peoples' "verdict" on reforms in other countries and will guide how to better perform and/or to avoid mistakes.

The participants in the October 2016 workshop agreed on the idea that one of the first steps in establishing the RDO can be an initial baseline survey (for example in the spring of 2017) which results will be later on used as benchmark for monitoring the progress in FD.

Note: Eurobarometer might a very competent partner. On behalf of the European Commission it monitors the evolution of the public opinion in the member states thus helping the preparation of texts, decision-making and the evaluation of its work.

6. FORM AND DATA SETS

RDO should be organized as an electronic interactive (for the LGAs and LGs) database, accessible through NALAS website, with extensive sorting and comparative features, table and graphical presentation of the user-defined results both on screen and exporting in various formats. The information, as a rule, should be updated annually except some of the data in section “Country profiles” which will be updated when a change occurs. If possible, the initial version of the RDO should comprise data for a 5-year period for the quantitative indicators for each country with a longer-term goal to expand it to 10 years. The quantitative ones should be based on the most recent year for which data are available.

The existing data sets for the FD report will be fully incorporated into the RDO. Thus the current written report will become one of the results of the RDO as any other topical overviews or thematic country surveys and studies. In other words the RDO will provide the basic data for the various TFs for extensive analytical products.

7. INFORMATION SOURCES

As noted above, the main source of data should be the official national governmental data and the data from respected and trustworthy international organizations. Following the best methodological guidelines and commonly accepted indicators, will allow the RDO to use freely the already compiled data and ratios in the data sets of the IMF, WB, OECD and others which will significantly decrease the level of efforts needed at NALAS. A synergy of this type will partially overcome the current mistrust in some of the countries for fully sharing data between the national governments and the LGAs.

Another source of information are the databases of the LGAs and especially these that are organized as electronic with public access. NALAS might need to explore and facilitate ways for these systems to easily communicate with the RDO. At a later stage city-level data will be needed in order to fully implement the service provision comparison between individual local governments. The analyses of various local competences covered by the NALAS TFs can be a solid starting point. The self-assessment toolkit of the WB should also be used for building such databases.

Additional data can be provided by local partner agencies, academic networks and business associations and chambers of commerce.

No matter what the sources might be, the crucial role and commitments of the local experts at the LGAs are key for the success of the RDO.

8. STRUCTURE AND OPERATION OF THE RDO

There are three options, all of them discussed at the workshop in October, to be considered as how to structure and manage the RDO.

The first one is to create a separate TF. Despite the positive experience working through thematic TFs, the RDO may be considered as interdisciplinary to the other TFs. In other words each of the existing TFs has a specific role to play in feeding and using the RDO. From this prospective a separate RDO TF might not be well manageable.

The second option is to create a working group (WG) to deal exclusively with the RDO. Members of the groups might be the coordinators of all the TFs but, at least in the beginning, the members should be identified according their experience in providing data and indicators for the needs of the RDO. NALAS should also designate staff members for the WG.

A third option might be for the FDTF to take over during an initial period of one year and, later on, to move into options 1 or 2. The FDTF has the most methodological experience in establishing databases thus the full potential of its members will be used during setting-up the RDO. Obviously members of the other TFs should provide assistance to the FDTF.

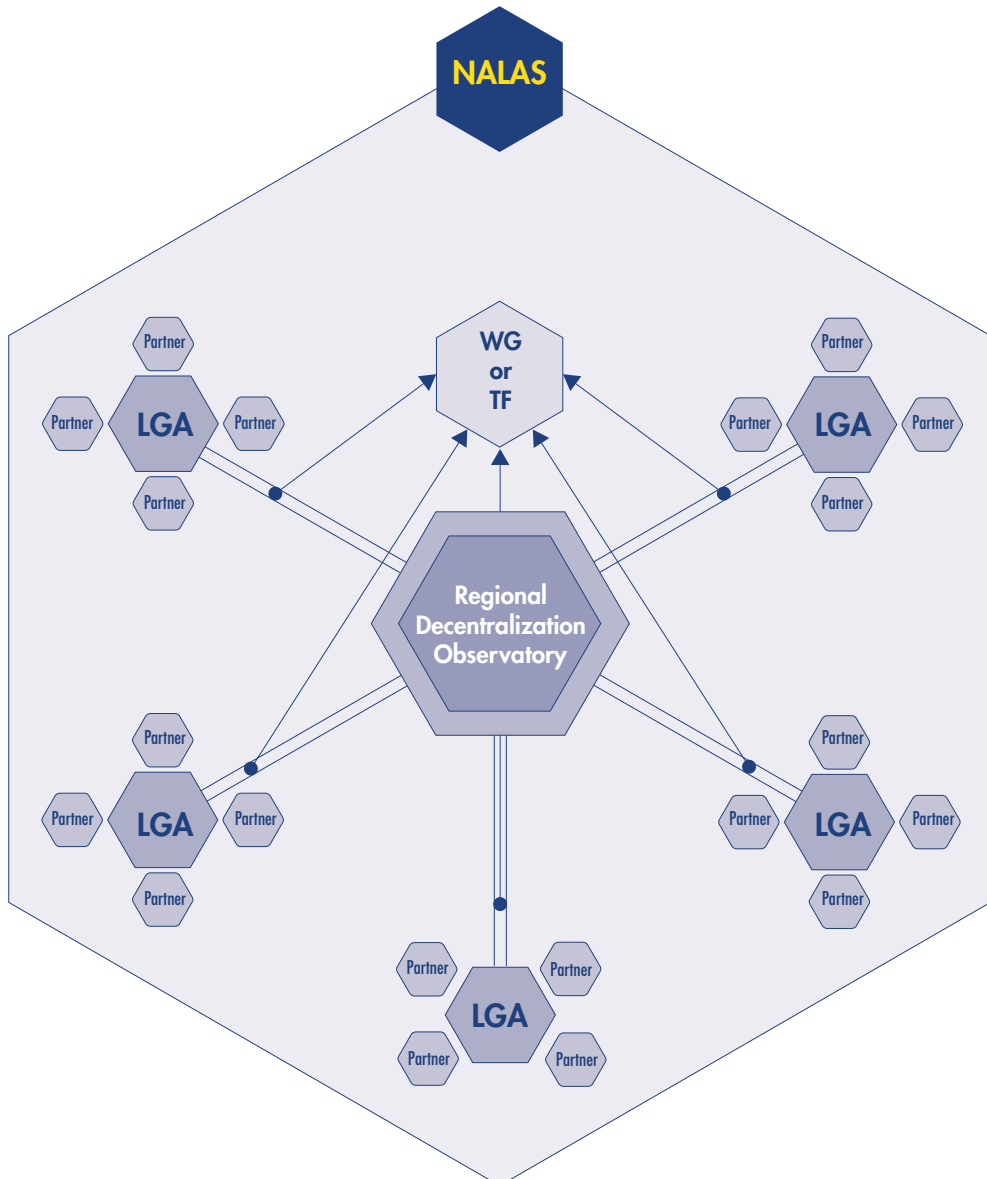
As mentioned above, building the RDO should start with areas of expertise which already exist among the TFs. From this prospective options 2 and 3 look more promising.

No matter which option will be selected, NALAS has to play the steering role:

- ➔ Providing clear guidance and mechanisms to the LGAs on how to feed the RDO platform;
- ➔ Monitoring the process;
- ➔ Suggesting adjustments to the data sets, collection mechanisms, usage of data, marketing opportunities etc.

At LGA level the associations have to designate contact person(s), responsible for the respective issues related to the RDO. In addition to that the LGAs should be stimulated to establish local partnerships of their choosing in order to fully use the existing informational and expert potential. As partners might be identified the ministries, NGOs, think-thanks, universities etc.

Exhibit 1 displays the organizational links between the RGO and the LGAs.



The good international practices suggest that NALAS should adopt the so-called Collective governance framework of the RDO, meaning that valuable partners should also be involved. These could be representatives from the donor community, international financial institutions, sister organizations such as UCLG or CEMR, academia, national institutes advocates for good governance and public sector development etc. The selection has to be made on the basis of expected contributions and prospects for sustainability and growth in the future.

9. MARKETING THE RDO

Part of the RDO implementation plans might be exploring and introducing marketing possibilities of the RDO itself and its content. The easy access to impartial and objective data for the countries and the region represents a valuable source of information that might be used for different purposes. A preliminary list of interested parties might include the donor community, the Council of Europe, the European Commission and the Committee of the Regions, national governmental central institutions in SEE, sectorial professional networks, OECD, CEMR, development agencies, international financial institutions such as EBRD, WB, EIB, and academic circle.

The business could be treated as a separate category for which RDO may provide paid services on issues like investing opportunities, regulatory environment, PPPs, finding municipal partners with robust and viable projects etc.

At a later stage, according to the interest expressed, a separate, client-driven interface might be developed, obviously after clear financial support by the client(s).

In addition to that, the RDO may be used by the local governments from to region as platform for posting municipal announcements for sales, leases, investment intentions. This section also may be available to the business community for a fee through targeted feeds.

10. NEXT STEPS

Two types of decisions are to be made according to NALAS's operational framework levels:

Political level:

NALAS Board's approval of the RDO concept and the initial list of indicators

Management level:

Development of implementation plan for 2017 with the following contents

- ➔ Organizational decision
- ➔ Commitments of the LGAs
- ➔ Written guidelines for measuring the indicators
- ➔ Training course for the LGAs contact persons
- ➔ Technical specification of the RDO for procurement
- ➔ Tender procedure
- ➔ Development of the web-based electronic platform
- ➔ Financial support.

LIST OF ABBREVIATIONS AND ACRONYMS USED

CEMR	Council of European Municipalities and Regions
CG	Central government
COE	Council of Europe
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
FD	Fiscal Decentralization
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GOLD	Global Observatory on Local Democracy and Decentralization
IMF	International Monetary Fund
LG	Local government
LGA	Local government association
OECD	Organisation for Economic Co-operation and Development
PPP	Public-private partnership
RDO	Regional Decentralization Observatory
RIA	Regulatory impact assessment
TF	Task Force
UCLG	United Cities and Local Governments
WB	World Bank
WG	Working group

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APPENDIX 1

COUNTRY PROFILES

A. Basic facts

- 1. Territory** – *in 1000 sq. km*
- 2. Population** - *in million, year of latest census*
- 3. Capital City** – *name, population in million*
- 4. Form of government** – *unitary/federal; presidential/parliamentary*
- 5. Administrative territorial division (deconcentrated level)** - *number of regions, City of...*
- 6. Regional level of self-government** - *number of regions, number of cantons, City of...*
- 7. Local units and tiers** - *number of municipalities, total number of settlements*
- 8. Average size of local governments** – *territory in sq. km., population in thousand*

B. Key financial data (latest year)

- 1. Total public expenditures** - *in local currency (million), in EUR/USD (million), % of GDP, per capita*
- 2. Sub-national public expenditures** - *in local currency (million), in EUR/USD (million), % of GDP, % of total public expenditures, per capita*
- 3. Municipal (lowest sub-national) level expenditures** - *in local currency (million), in EUR/USD (million), % of GDP, % of total public expenditures, % of total sub-national expenditures, per capita*
- 4. Revenue structure of the public sector** – *total in local currency (million), in EUR/USD (million) of which - tax, non-tax, debt, surplus/deficit in %; % of GDP, per capita.*
- 5. Revenue structure of the sub-national level** – *total in local*

currency (million), in EUR/USD (million) of which own revenues, transfers, debt, surplus/deficit in %; % of GDP, % of public sector revenues, per capita.

- 6. Revenue structure of the municipal level** - total in local currency (million), in EUR/USD (million) of which own revenues, transfers, debt, surplus/deficit in %; % of GDP, % of public sector revenues, % of sub-national level, per capita.
- 7. Total public investments** - total in local currency (million), in EUR/USD (million), % of GDP, per capita.
- 8. Sub-national public investments** - total in local currency (million), in EUR/USD (million), % of GDP, % of total public investments, per capita.
- 9. Municipal public investments** - total in local currency (million), in EUR/USD (million), % of GDP, % of total public investments, % of sub-national public investments, per capita.

C. Sub-national/municipal revenues (latest year)

1. **Own revenues** – total in local currency (million), in EUR/USD (million), % of total revenues.
 - 1.1 Local taxes** - total in local currency (million), in EUR/USD (million), % of total own revenues, % of total taxes in the country
 - 1.2 User fees and charges** - total in local currency (million), in EUR/USD (million), % of total own revenues
 - 1.3 Property related (leases and rents)** - total in local currency (million), in EUR/USD (million), % of total own revenues
 - 1.4 Sales of assets** - total in local currency (million), in EUR/USD (million), % of total own revenues
 - 1.5 Other** - total in local currency (million), in EUR/USD (million), % of total own revenues.
2. **Transfers** - total in local currency (million), in EUR/USD (million), % of total revenues.
 - 2.1 Earmarked vs. general purpose** - total in local currency

(million), in EUR/USD (million), % of total transfers, % of local governments with access.

2.2 Investment vs. recurrent - total in local currency (million), in EUR/USD (million), % of total transfers, % of local governments with access.

2.3 Equalizing - total in local currency (million), in EUR/USD (million), % of total transfers, % of local governments with access.

D. Sub-national/municipal borrowing (latest year)

1. **Outstanding debt** - total in local currency (million), in EUR/USD (million), % of total public debt, per capita.
2. **Annual debt payments** - total in local currency (million), in EUR/USD (million), % of municipal expenditures, per capita.
3. **Level of local autonomy**
 - 3.1 Legal purpose of the local borrowing – *short-term/long-term; investments/operational/cash-flow deficits*
 - 3.2 CG approval – *no/yes*
 - 3.3 Legal limits on local borrowing – *no/debt service level/outstanding debt*
 - 3.4 Transfers as collateral or debt repayment source – *yes/no*.

E. Taxes of sub-national/municipal government (SN/MG) by type of tax autonomy

Criteria for assessing the level of the tax autonomy

- a = SN/MG sets tax rate and tax base.
- b = SN/MG sets tax rate only.
- c = SN/MG sets tax base only.
- d.1 = SN/MG determines revenue-split.
- d.2 = revenue-split can only be changed with consent of SN/MG.
- d.3 = revenue-split fixed in legislation, may unilaterally be changed by central government.

d.4 = revenue-split determined by central government as part of the annual budget process.

e = central government sets rate and base of SN/MG tax.

Each of the local taxes is to be assessed according these criteria and the results have to be displayed according the weight of each tax in the total national taxes.

F. Expenditure assignments among levels of government

This is a descriptive expert where, for each of the services and activities (1) and for each of the service provision powers (2), the appropriate answer should be filled-in according the level of government which has the authority over: **L** – for local governments, **C** - for central and **C/L** – for both. The results are displayed in simple tables.

1. Main services and activities

1.1 Social services – public housing, preschool education, primary education, secondary education, colleges and universities, social welfare, hospitals

1.2 Transportation networks - urban roads, inter-municipal roads, railroads, highways, highways within city limits, ports, airports, rail stations,

1.3 Utility services – telecommunications, electric power generation/supply, waste collection, water and sewer, oil and gas urban pipelines

1.4 Other services - fire protection, heating, police, public safety and order, irrigation, disaster management, immigrants' social inclusion

2. Service provision powers

2.1 Public response - Authority to determine whether or not a service is required. Who decides what services to provide in a given local government? Who decides that there is a local problem or a need that requires a public response? Who decides what the appropriate response should be?

- 2.2 Service standards - Authority to determine service policy and standards.** In terms of policy - who has the authority to determine the quantity, quality and cost of the service, or eligibility criteria or the form of financing (direct charge through fees or indirect through general revenues). In terms of standards - who sets the standards; what the standards cover (minimum national concerns versus detailed service conditions, inputs versus outcomes), how clear and objective they are and how much local discretion they allow?
- 2.3 Organization - Authority to organize service delivery.** Do LGs have the authority to decide whether to provide the service directly, jointly with other LGs or through private firms?
- 2.4 Ownership of assets –** explores the nature and extent of local ownership and control over the assets associated with the functions and responsibilities assigned to local governments. For example, if local governments are responsible for school investments and major repairs, who owns the school buildings?



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