



Network of Associations  
of Local Authorities  
of South-East Europe

# LOCAL GOVERNMENT FINANCE INDICATORS IN SOUTH-EAST EUROPE

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STATISTICAL BRIEF  
2020

second edition

# This publication is a collaborative effort of the NALAS Task Force on Fiscal Decentralization (TF FD)

## **Publisher:**

Network of Associations of Local Authorities of South East Europe (NALAS)  
Kelmend Zajazi, Executive Director

## **Publication coordinator:**

Elton Stafa, NALAS Expert on Fiscal Decentralization

## **Contributors:**

Aida Cacaj, representing the Association of Albanian Municipalities  
Gregor Jurišić, representing the Association of Municipalities and  
Cities of the Federation of Bosnia and Herzegovina (Bosnia and Herzegovina)  
Goran Rakić, Association of Municipalities and Towns of Republic of  
Srpska (Bosnia and Herzegovina)  
Yuliya Ivanova, representing the National Association of Municipalities  
in the Republic of Bulgaria  
Dario Runtić, representing the Association of Cities in the Republic of Croatia  
Osman Sadikaj, representing the Association of Kosovo Municipalities  
Sofija Stefanovska, representing the Association of the Units of  
Local Self-Governments of the Republic of Macedonia  
Carolina Furdui and Viorel Girbu, representing the Congress of  
Local Authorities of Moldova  
Radu Comsa and Adrian Miroiu-Lamba, representing the Association of  
Communes of Romania  
Dunja Naić and Aleksandar Marinković, representing the Standing Conference of  
Towns and Municipalities of Serbia  
Mustafa Kabil, representing the Marmara Municipalities Union, Turkey  
Žana Đukić, representing the Union of Municipalities of Montenegro

## **With the support of:**

NALAS Secretariat; NALAS Fiscal Decentralization Task Force  
Swiss Agency for Development and Cooperation  
Austrian Development Agency  
BACID - Building Administrative Capacities in the Danube Region  
KDZ - Centre for Public Administration Research



## Socio-economic data

2019	Population (in millions) <sup>1</sup>	Area (in thousand Sq. Km)	Population Density	GDP (Eur Billion) <sup>2</sup>	GDP in Eur per capita	Real GDP Growth
Albania	2,9	28,7	100	13,7	4.797	2,2%
Bosnia and Herzegovina	3,5	51,2	69	17,9	4.863	3,6%
<i>FBiH (BiH)</i>	2,2	26,1	84	11,2	5.098	2,6%
<i>RS (BiH)</i>	1,2	24,6	47	5,7	4.916	3,7%
Bulgaria	6,9	110,4	63	62,0	8.926	3,4%
Croatia	4,1	56,6	73	54,0	13.152	2,9%
Kosovo*	1,8	10,9	164	6,5	3.970	4,2%
North Macedonia	2,1	25,7	81	11,3	5.465	3,6%
Moldova	3,5	33,8	105	10,7	3.010	3,6%
Montenegro	0,6	13,8	45	5,0	7.955	3,6%
Romania	19,4	238,4	81	222,0	11.433	4,1%
Serbia	7,0	88,4	79	45,9	6.558	4,2%
Slovenia	2,1	20,1	103	48,0	22.906	2,4%
Turkey	83,2	814,6	102	673,0	8.094	0,9%
Western Balkans <sup>3</sup>	17,9	218,7	82	100,2	5.609	3,6%
South-East Europe <sup>4</sup>	137,1	1.492,6	92	1.169,9	8.536	3,2%
EU 28 <sup>5</sup>	513,5	4.370,0	117,5	16.464,2	32.064	1,5%
<b>OECD 35</b>	<b>1.284,3</b>	<b>34.525</b>	<b>37</b>	<b>49.424</b>	<b>38.483</b>	<b>1,8%</b>

<sup>1</sup> Source: Institute of Statistics of NALAS members, Local Government Associations, NALAS Regional Database based on official data from LGAs, 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.

<sup>2</sup> 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.

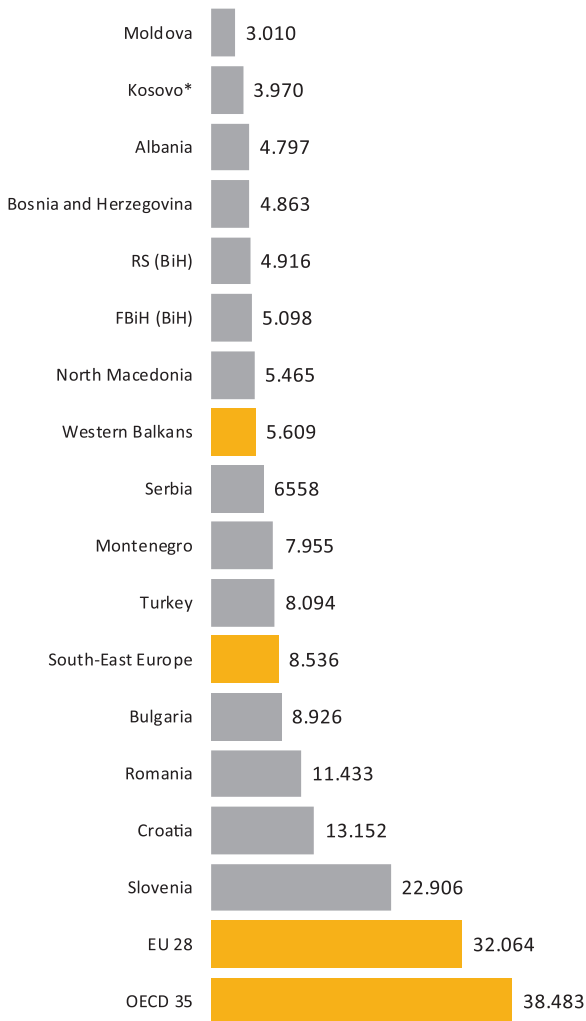
<sup>3</sup> Western Balkans: Albania, Bosnia and Herzegovina, Kosovo\*, North Macedonia, Montenegro and Serbia

<sup>4</sup> South-East Europe refers to NALAS members, as shown in the table

<sup>5</sup> EU 28 refers to the European Union Member States

<sup>6</sup> OECD 35 refers to the member countries of the Organisation for Economic Co-operation and Development (OECD). The OECD countries data refers to 2018

## GDP in Eur per capita in South-East Europe, 2019



## Number and Types of Sub-Sovereign Governments

2019	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	20
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				494	23
South-East Europe				7.004	910
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

2019	Number of Municipalities	Average Municipal Size, no. of inhabitants	Average Municipal Size, in Sq. Km.	Percentage of Population Living in Capital Cities
Albania	61	47.054	471	20,5%
Bosnia and Herzegovina	144	24.417	356	13,9%
<i>FBiH (BiH)</i>	<i>80</i>	<i>27.515</i>	<i>326</i>	<i>13,8%</i>
<i>RS (BiH)</i>	<i>64</i>	<i>18.016</i>	<i>385</i>	<i>15,9%</i>
Bulgaria	265	26.038	416	19,1%
Croatia	556	7.384	102	19,3%
Kosovo	38	46.935	287	11,2%
North Macedonia	81	25.621	317	24,4%
Moldova	898	3.950	38	16,6%
Montenegro	25	24.894	552	29,9%
Romania	3.181	6.103	75	9,4%
Serbia	145	48.286	609	22,5%
Slovenia	212	9.749	95	13,3%
Turkey	1.398	59.481	583	6,8%
Western Balkans	494	36.172	443	20%
South-East Europe	7.004	19.569	213	17%
EU 28	88.072	5.830	50	na
<b>OECD 35</b>	<b>136.806</b>	<b>9.388</b>	<b>252</b>	<b>na</b>

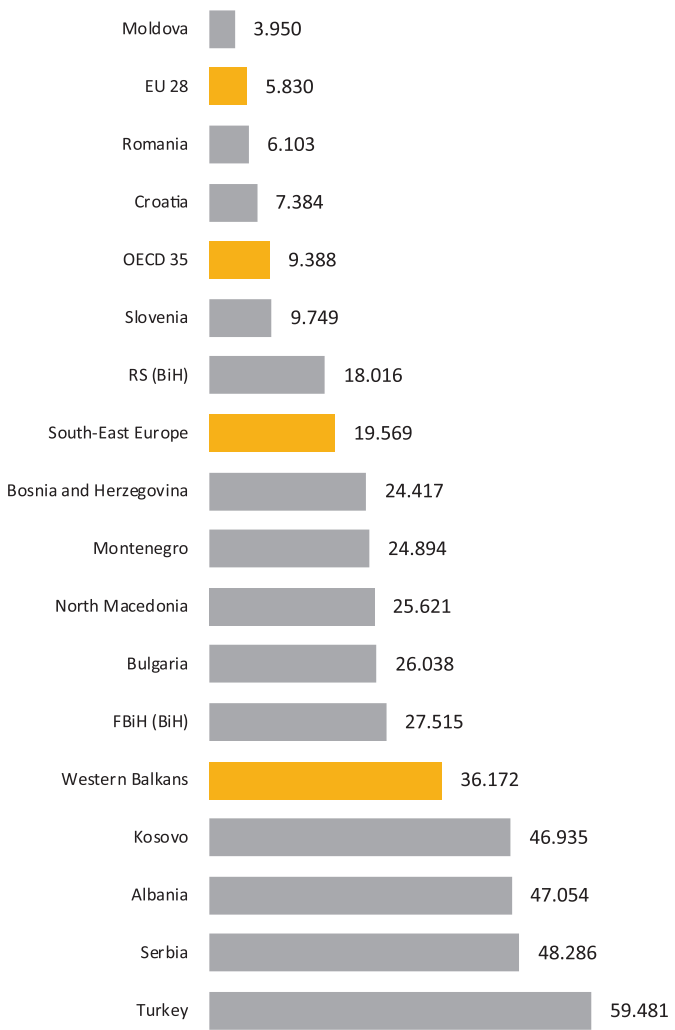
\*\* WB6 refers to the Western Balkans Six: Albania, Bosnia and Herzegovina, Kosovo

\*\*\* SEE 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

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# Average Population of 1<sup>st</sup> Tier Local Governments



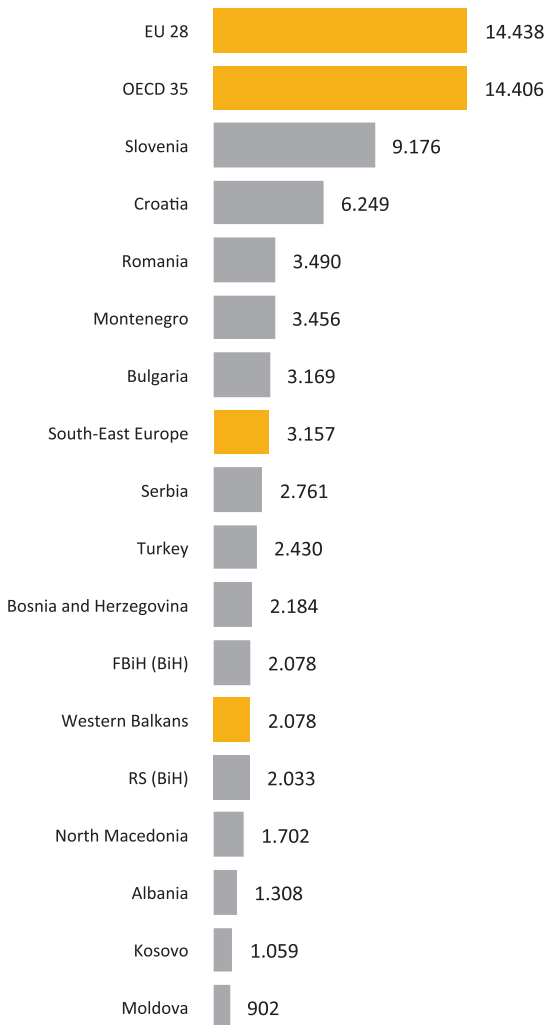
## Public Revenue

2019	in Billion of Eur	in Eur per capita	in % of the GDP
Albania	3,7	1.308	27,3%
Bosnia and Herzegovina	7,7	2.184	42,9%
<i>FBiH (BiH)</i>	4,6	2.078	40,8%
<i>RS (BiH)</i>	2,3	2.033	41,3%
Bulgaria	22,0	3.169	35,5%
Croatia	25,7	6.249	47,5%
Kosovo	1,9	1.059	26,7%
North Macedonia	3,5	1.702	31,2%
Moldova	3,2	902	30,0%
Montenegro	2,2	3.456	43,4%
Romania	67,7	3.490	30,5%
Serbia	19,3	2.761	42,1%
Slovenia	19,2	9.176	40,1%
Turkey	202,1	2.430	30,0%
Western Balkans	38,3	2.078	35,8%
South-East Europe	378,3	3.157	35,7%
EU 28	7.414	14.438	45,1%
<b>OECD 35</b>	<b>18.471,2</b>	<b>14.406</b>	<b>37,5%</b>

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



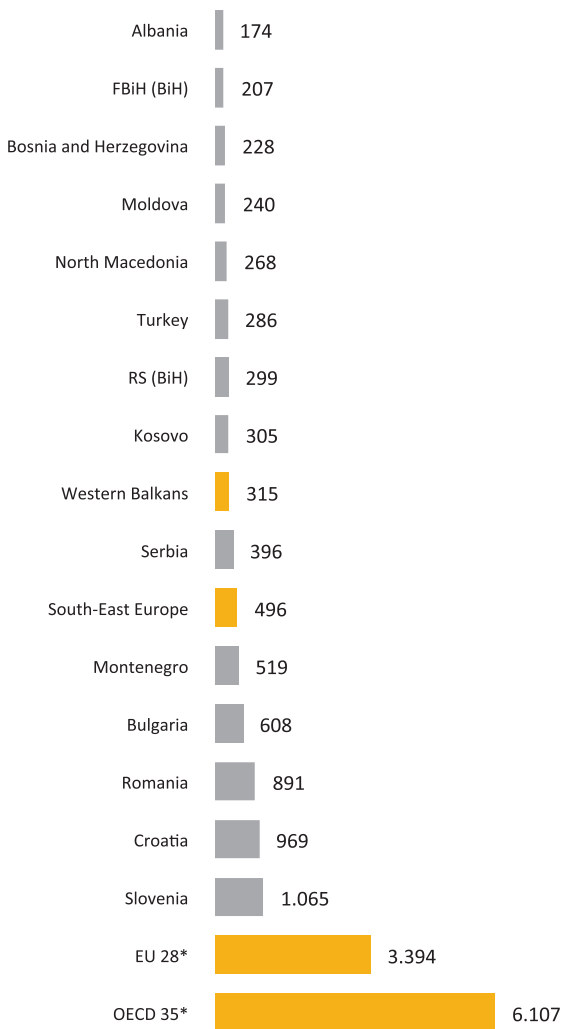
## Local Government Revenue

2019	in million of Eur	in Eur per capita	In % of Public Revenue	in % of the GDP
Albania	498	174	13,3%	3,6%
Bosnia and Herzegovina	800	228	10,4%	4,5%
<i>FBiH (BiH)</i>	<i>455</i>	<i>207</i>	<i>10,0%</i>	<i>4,1%</i>
<i>RS (BiH)</i>	<i>345</i>	<i>299</i>	<i>14,7%</i>	<i>6,1%</i>
Bulgaria	4.226	608	19,2%	6,8%
Croatia	3.977	969	15,5%	7,4%
Kosovo	544	305	28,8%	7,7%
North Macedonia	555	268	15,7%	4,9%
Moldova	850	240	26,6%	8,0%
Montenegro	323	519	15,0%	6,5%
Romania	17.299	891	25,5%	7,8%
Serbia	2.773	396	14,3%	6,0%
Slovenia	2.232	1.065	11,6%	4,7%
Turkey	23.780	286	11,8%	3,5%
Western Balkans	5.493	315	16,3%	5,6%
South-East Europe	57.857	496	17,3%	6,0%
EU 28*	1.742.849	3.394,2	23,5%	10,6%
<b>OECD 35*</b>	<b>7.830.150</b>	<b>6.107,3</b>	<b>42,4%</b>	<b>15,9%</b>

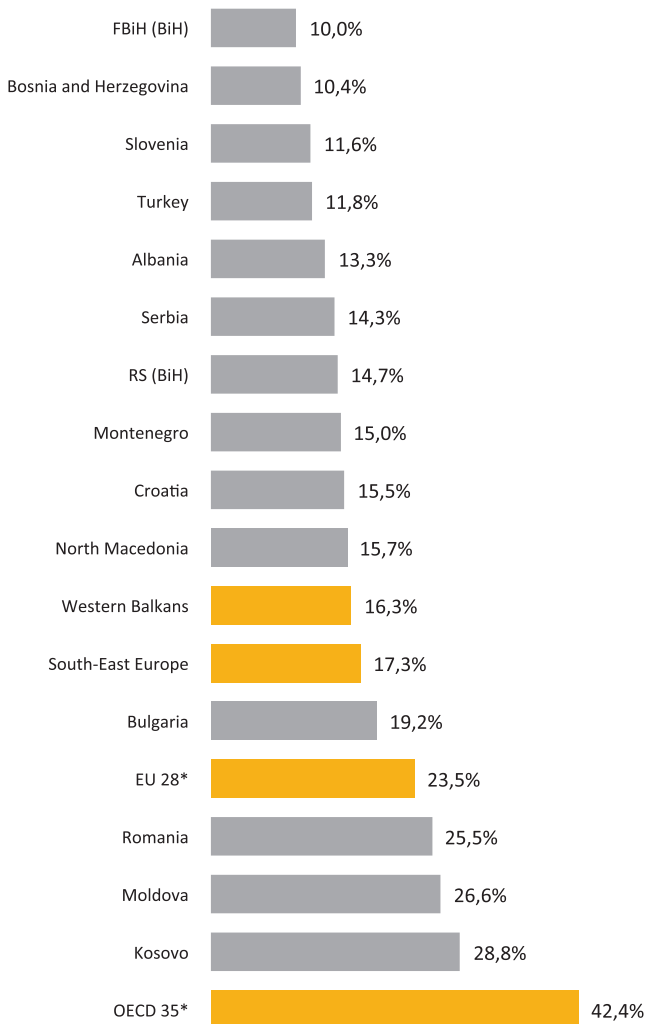
\* The data for OECD 35 include also intermediary and regional governments, while for the EU28 the data includes only the municipal government level

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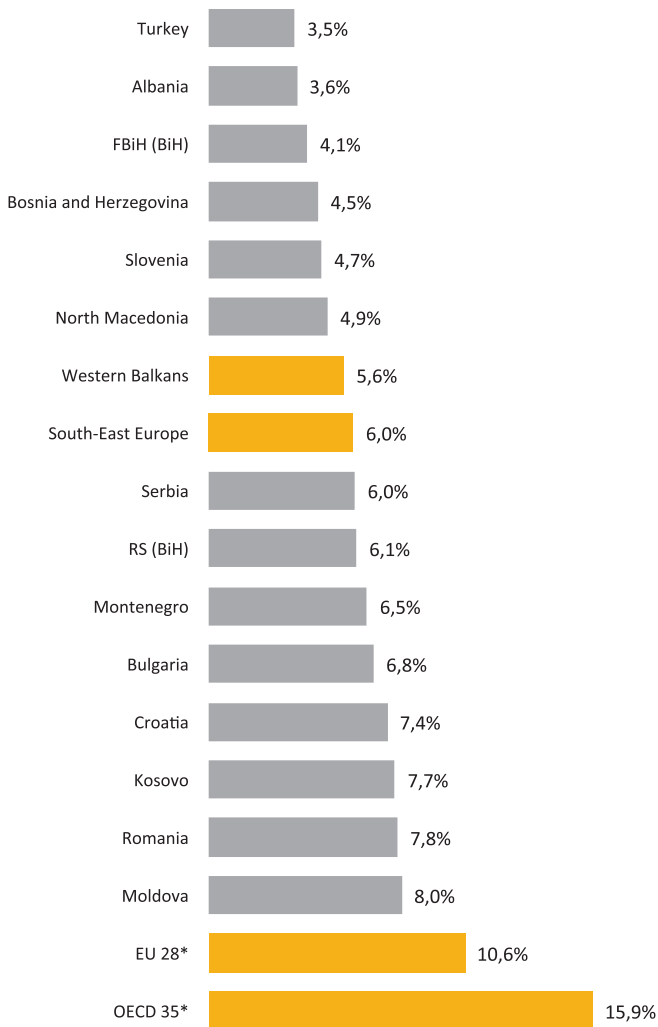
## Local Government Revenue, in Eur per capita



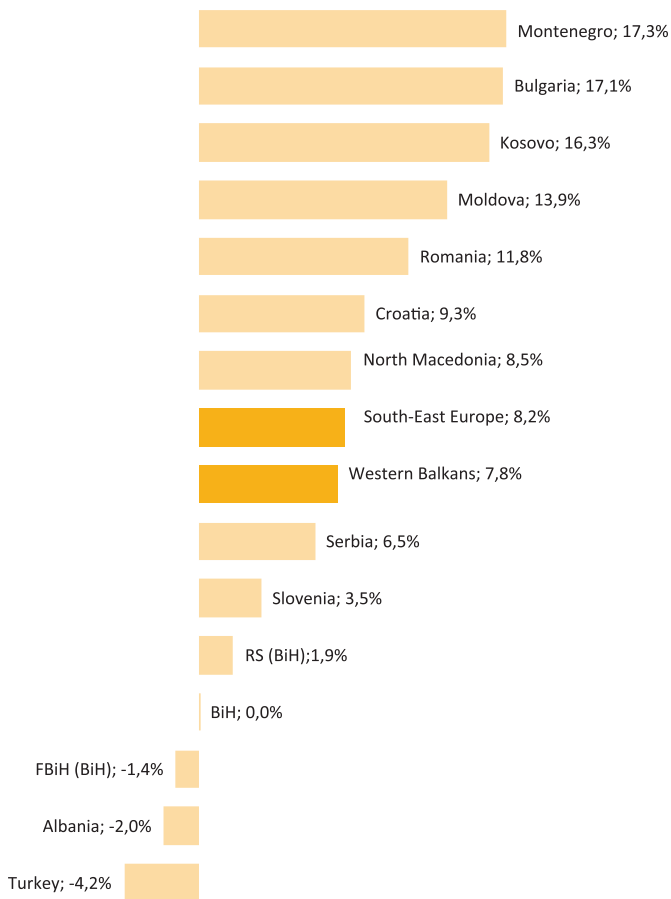
## Local Government Revenue as % of Public Revenue



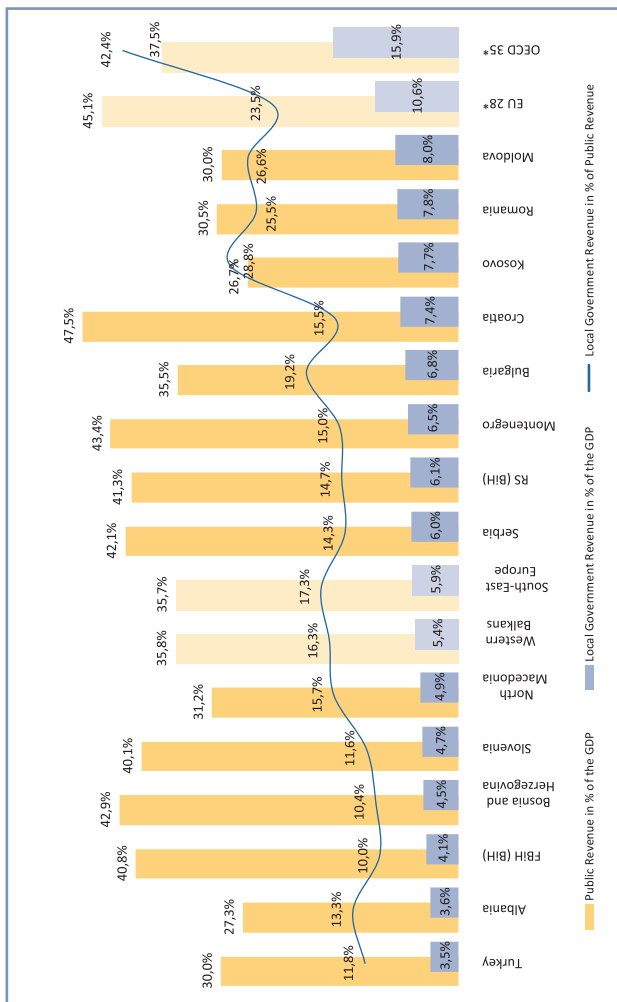
## Local Government Revenue as % of GDP



## Annual Change in Local Revenues



# Public Revenue and Local Government Revenue in South-East Europe



## The Structure of Local Government Revenue

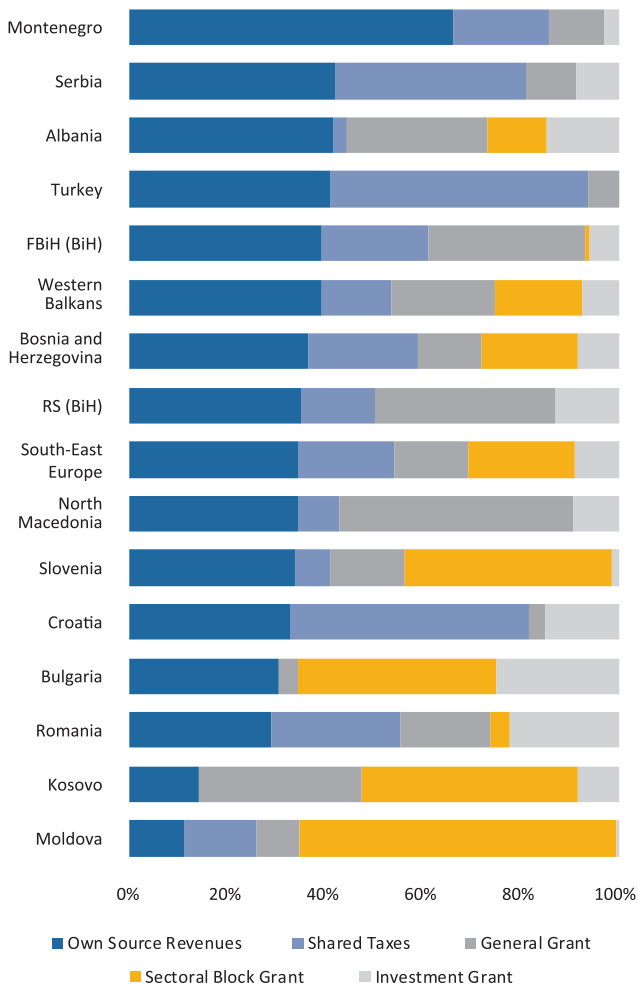
2019 in % of Total	Own Source Revenues	Shared Taxes	General Grant	Sectoral Block Grant	Investment Grant
Albania	42%	3%	29%	12%	15%
Bosnia and Herzegovina	37%	15%	41%	0%	6%
<i>FBiH (BiH)</i>	39%	22%	32%	1%	6%
<i>RS (BiH)</i>	35%	7%	53%	0%	6%
Bulgaria	30%	0%	4%	41%	25%
Croatia	33%	49%	3%	0%	15%
Kosovo	14%	0%	33%	44%	8%
Moldova	11%	15%	9%	65%	0%
Montenegro	66%	20%	11%	0%	3%
North Macedonia	34%	7%	4%	51%	3%
Romania	29%	27%	18%	4%	22%
Serbia	42%	39%	10%	0%	9%
Slovenia	34%	7%	15%	42%	1%
Turkey	41%	53%	6%	0%	0%
Western Balkans	39%	14%	21%	18%	7%
South-East Europe	34%	20%	15%	22%	9%
EU 28*	n.a.	n.a.	n.a.	n.a.	n.a.
<b>OECD 35*</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>

\*\* 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

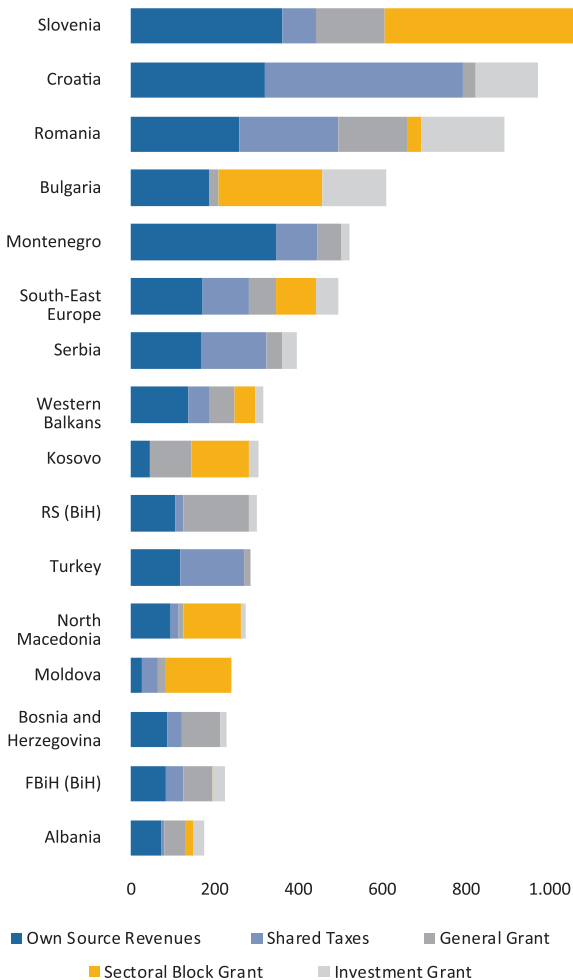


## The Structure of Local Government Revenue

2019 in Euro per capita	Own Source Revenues	Shared Taxes	General Grant	Sectoral Block Grant	Investment Grant	Total
Albania	72	5	50	21	26	174
Bosnia and Herzegovina	85	35	93	0	14	228
<i>FBiH (BiH)</i>	<i>81</i>	<i>45</i>	<i>67</i>	<i>2</i>	<i>29</i>	<i>223</i>
<i>RS (BiH)</i>	<i>105</i>	<i>20</i>	<i>157</i>	<i>0</i>	<i>17</i>	<i>299</i>
Bulgaria	185	0	24	246	152	608
Croatia	318	473	31	0	146	969
Kosovo	43	0	101	135	25	305
Moldova	27	35	21	155	0	239
Montenegro	344	102	57	0	16	519
North Macedonia	92	20	11	137	14	275
Romania	257	236	163	37	198	891
Serbia	166	155	40	0	35	396
Slovenia	361	78	164	454	14	1.071
Turkey	117	151	18	0	0	286
Western Balkans	134	53	59	49	22	316
<b>South-East Europe</b>	<b>172</b>	<b>107</b>	<b>65</b>	<b>99</b>	<b>53</b>	<b>497</b>

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

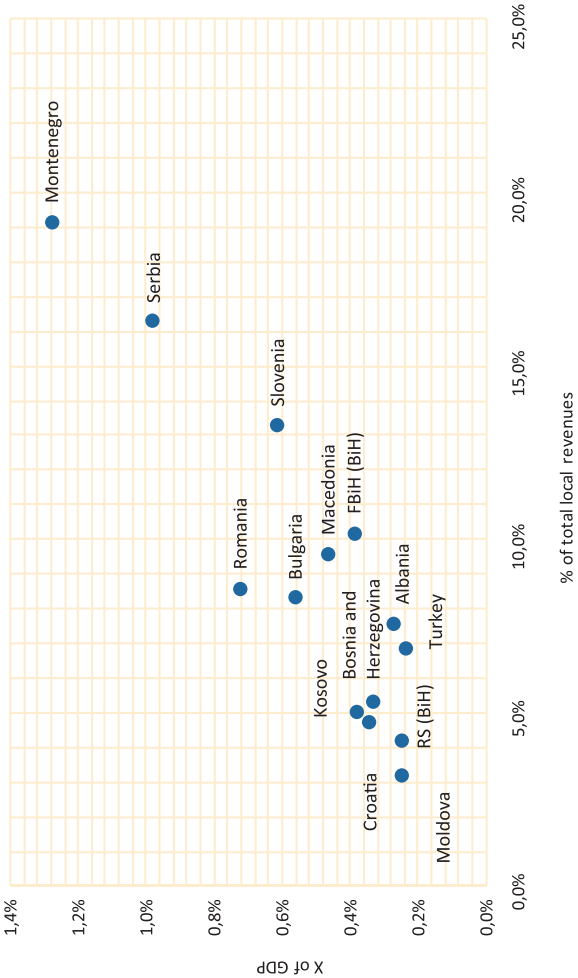
## Composition of Local Government Revenue in South-East Europe, in Eur per Capita



## Property Taxation

2019	in Euro per capita	in % of GDP	in % of local revenues
Albania	13,1	0,3%	7,6%
Bosnia and Herzegovina	4,1	0,3%	5,3%
<i>FBiH (BiH)</i>	<i>21,0</i>	<i>0,4%</i>	<i>10,2%</i>
<i>RS (BiH)</i>	<i>12,4</i>	<i>0,3%</i>	<i>4,1%</i>
Bulgaria	47,8	0,6%	8,3%
Croatia	45,4	0,3%	4,7%
Kosovo	15,3	0,4%	5,0%
Moldova	7,6	0,3%	3,2%
Montenegro	99,2	1,2%	19,1%
Macedonia	25,6	0,5%	9,6%
Romania	69,3	0,7%	8,6%
Serbia	64,4	1,0%	16,3%
Slovenia	141,2	0,6%	13,3%
Turkey	19,5	0,2%	6,8%
Western Balkans	36,9	0,6%	10,5%
<b>South-East Europe</b>	<b>70,3</b>	<b>0,5%</b>	<b>9,0%</b>

Property Tax as % of Total Local Revenue and GDP



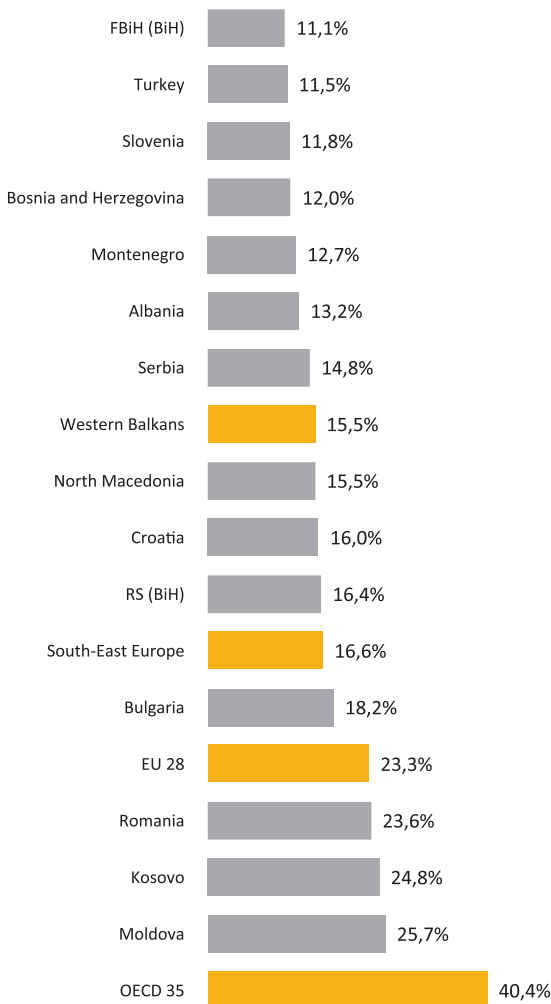
## Local Government Expenditure

2019	in million of Eur	in Eur per capita	In % of Public Expenditure	in % of the GDP
Albania	527	184	13,2%	3,8%
Bosnia and Herzegovina	818	233	12,0%	4,6%
<i>FBiH (BiH)</i>	<i>475</i>	<i>216</i>	<i>11,1%</i>	<i>4,0%</i>
<i>RS (BiH)</i>	<i>343</i>	<i>298</i>	<i>16,4%</i>	<i>6,1%</i>
Bulgaria	4.005	576	18,2%	6,5%
Croatia	4.078	993	16,0%	7,6%
Kosovo	513	288	24,8%	7,2%
North Macedonia	585	282	15,5%	5,2%
Moldova	861	243	25,7%	8,1%
Montenegro	286	460	12,7%	5,8%
Romania	18.392	947	23,6%	8,3%
Serbia	2.866	409	14,8%	6,2%
Slovenia	2.244	1.071	11,8%	4,7%
Turkey	25.651	308	11,5%	3,8%
Western Balkans	5.596	309	15,5%	5,5%
South-East Europe	60.827	500	16,6%	6,0%
EU 28	1.751.754	3.412	23,3%	10,6%
<b>OECD 35</b>	<b>7.988.270</b>	<b>6.231</b>	<b>40,4%</b>	<b>15,5%</b>

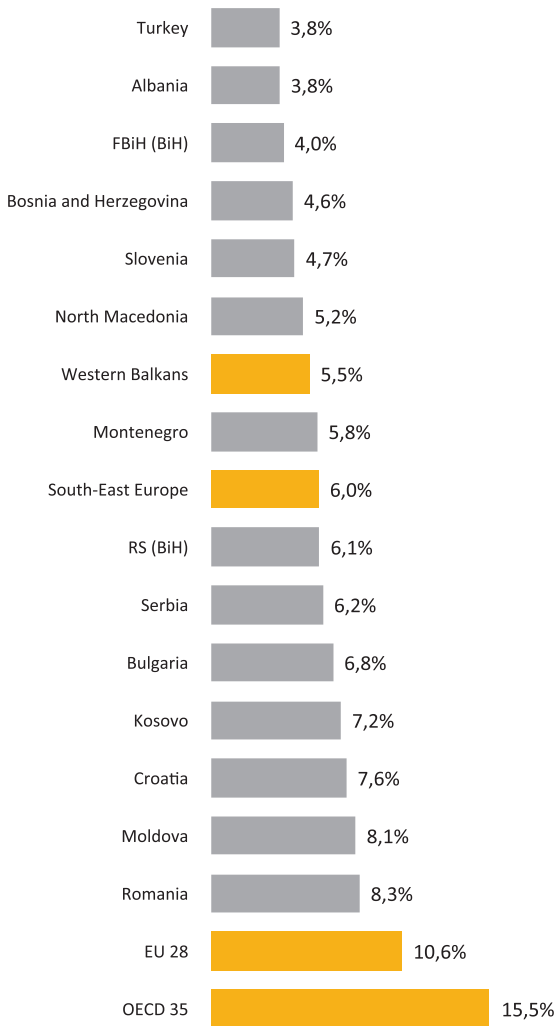
The data for OECD 35 include also intermediary and regional governments, while for the EU28 the data includes only the municipal government level

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

## Local Government Expenditure as % of Public Expenditure

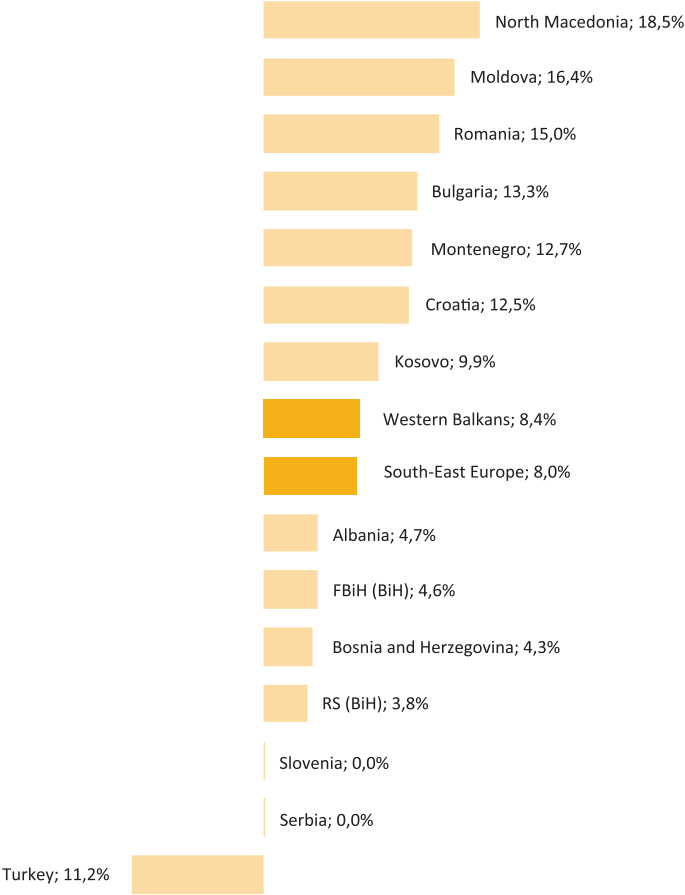


## Local Government Expenditure as % of GDP





Annual Change in Local Expenditure



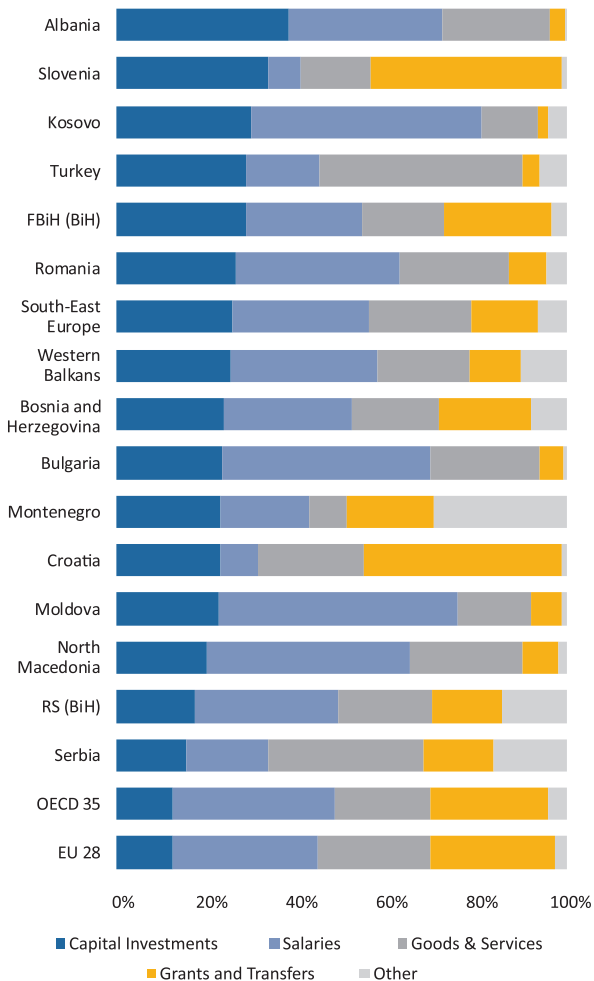
## The Structure of Local Government Expenditure

2019 in % of Total	Capital Investments	Salaries	Goods & Services	Grants and Transfers	Other
Albania	38,3%	34,2%	23,8%	3,4%	0,3%
Bosnia and Herzegovina	23,9%	28,4%	19,1%	20,5%	8,0%
<i>FBiH (BiH)</i>	<i>28,6%</i>	<i>25,8%</i>	<i>18,1%</i>	<i>24,0%</i>	<i>3,4%</i>
<i>RS (BiH)</i>	<i>17,2%</i>	<i>32,0%</i>	<i>20,6%</i>	<i>15,7%</i>	<i>14,4%</i>
Bulgaria	23,6%	46,1%	24,3%	5,3%	0,7%
Croatia	22,9%	8,5%	23,6%	44,0%	1,0%
Kosovo	29,8%	51,3%	12,5%	2,1%	4,3%
Moldova	22,7%	53,0%	16,3%	6,8%	1,3%
Montenegro	23,2%	19,6%	8,2%	19,5%	29,6%
North Macedonia	20,2%	44,8%	25,1%	7,9%	2,0%
Romania	26,5%	36,2%	24,5%	8,2%	4,6%
Serbia	15,5%	18,1%	34,6%	15,5%	16,3%
Slovenia	33,7%	7,2%	15,4%	42,4%	1,3%
Turkey	28,6%	16,4%	45,0%	3,7%	6,2%
Western Balkans	25,1%	32,7%	20,6%	11,5%	10,1%
South-East Europe	25,8%	30,3%	22,7%	14,9%	6,3%
EU 28	12,5%	32,2%	24,9%	27,9%	2,5%
<b>OECD 35</b>	<b>12,5%</b>	<b>36,0%</b>	<b>21,2%</b>	<b>26,2%</b>	<b>4,1%</b>

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

2019 in Eur per capita	Capital Investments	Compensation of Employees	Goods & Services	Grants and Transfers	Other
Albania	71	63	44	6	1
Bosnia and Herzegovina	56	66	45	48	19
<i>FBiH (BiH)</i>	62	56	39	52	7
<i>RS (BiH)</i>	51	95	61	47	43
Bulgaria	136	265	140	31	4
Croatia	228	84	234	437	10
Kosovo	86	147	36	6	12
Moldova	55	129	39	16	3
Montenegro	107	90	37	90	136
North Macedonia	57	126	71	22	6
Romania	251	342	233	78	44
Serbia	64	74	142	63	42
Slovenia	361	78	164	454	14
Turkey	88	51	139	11	19
Western Balkans	73	94	62	39	36
South-East Europe	130	126	110	105	26
OECD 35	779	2243	1321	1632	255
<b>EU 28</b>	<b>427</b>	<b>1.276</b>	<b>972</b>	<b>1.089</b>	<b>90</b>

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

2019 in % of total	Education	Economic affairs	General Public Adm. Services	Health	Social protection	Other Local Services
Kosovo	55%	7%	16%	15%	2%	5%
Moldova	56%	11%	9%	1%	8%	15%
Bulgaria	40%	10%	11%	3%	8%	28%
Slovenia	23%	24%	19%	1%	7%	25%
Romania	7%	20%	13%	23%	13%	24%
Albania	21%	22%	19%	0%	3%	35%
Croatia	11%	20%	20%	1%	7%	41%
Turkey	2%	18%	36%	1%	2%	42%
Bosnia and Herzegovina (2018)	5%	11%	47%	0%	8%	29%
Serbia	20%	28%	18%	1%	5%	27%
Western Balkans	25%	17%	25%	4%	5%	24%
South-East Europe	24%	17%	21%	5%	6%	27%
EU 28	17%	13%	14%	14%	24%	18%
<b>OECD 35</b>	<b>27%</b>	<b>18%</b>	<b>17%</b>	<b>5%</b>	<b>16%</b>	<b>17%</b>

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

Data for Serbia are based on the calculations of the Standing Conference of Towns and Municipalities, on data covering 79% of the local government expenditures in Serbia for year 2019

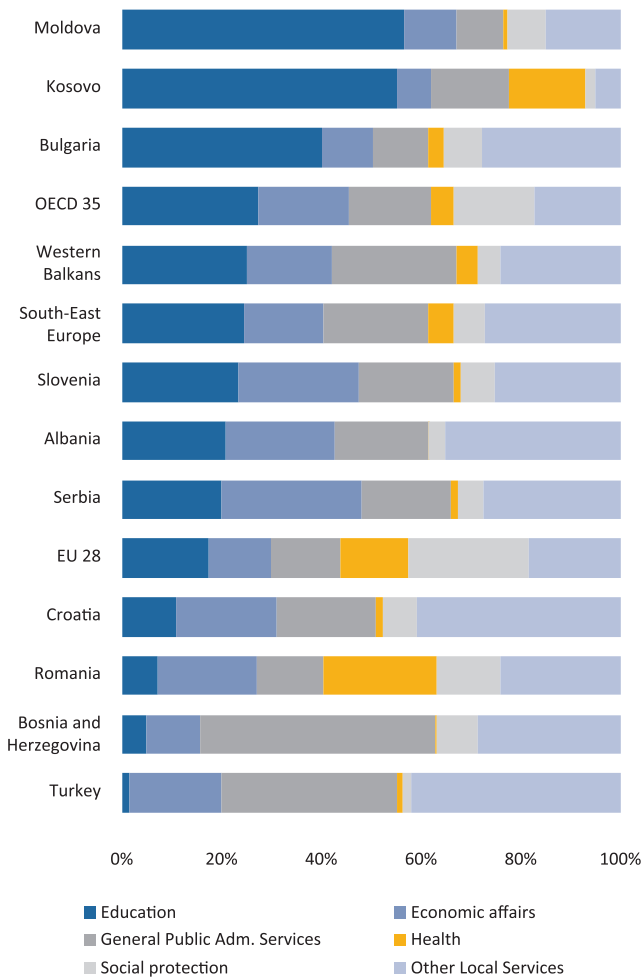
The data for OECD 35 include also intermediary and regional governments, while for the EU28 the data includes only the municipal government level.

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: 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

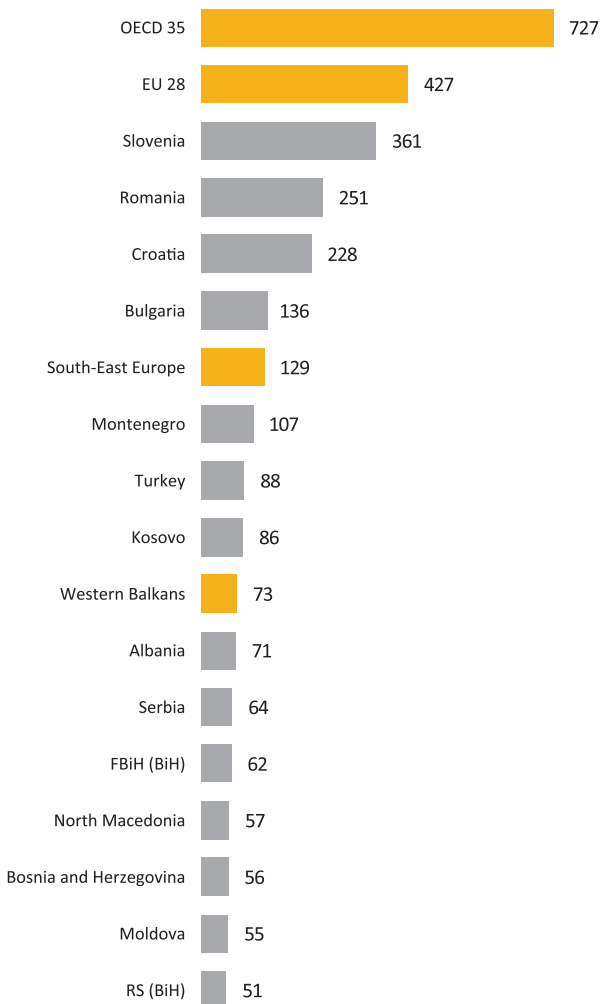


## Local Government Investments

2019	in Million Eur	in Eur per capita	in % of the GDP	% of Local Government Spending	% of total public investment
Albania	202	71	1,5%	38,3%	33,1%
Bosnia and Herzegovina	195	56	1,1%	23,9%	37,9%
FBiH (BiH)	136	62	1,2%	28,6%	75,6%
RS (BiH)	59	51	1,0%	17,2%	30,8%
Bulgaria	945	136	1,5%	23,6%	49,2%
Croatia	935	228	1,7%	22,9%	40,3%
Kosovo	153	86	2,2%	29,8%	28,8%
North Macedonia	118	57	1,0%	20,2%	31,0%
Moldova	196	55	1,8%	22,7%	80,5%
Montenegro	66	107	1,3%	23,2%	19,6%
Romania	4.876	251	2,2%	26,5%	39,5%
Serbia	446	64	1,0%	15,5%	19,7%
Slovenia	757	361	1,6%	33,7%	60,4%
Turkey	7.346	88	1,1%	28,6%	37,2%
Western Balkans	1.180	73	1,4%	25,1%	28,4%
South-East Europe	16.235	130	1,5%	25,8%	39,8%
EU 28	219.465	427	1,3%	12,5%	45,0%
<b>OECD 35</b>	<b>932.100</b>	<b>727</b>	<b>1,7%</b>	<b>10,7%</b>	<b>56,9%</b>

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

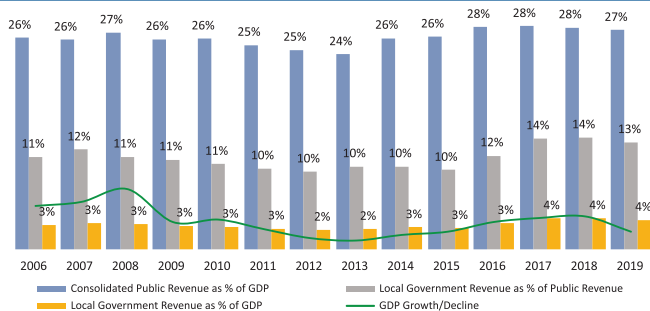




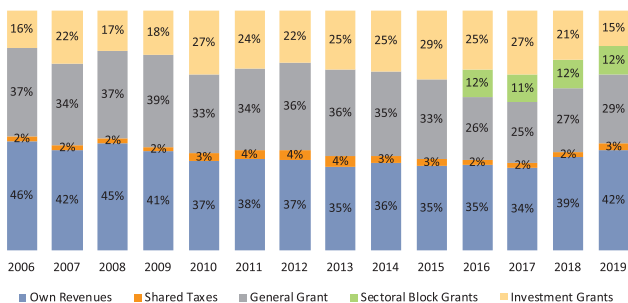
## Local Government Investment in South East Europe, as % of Local Gov. Spending and Public Investments



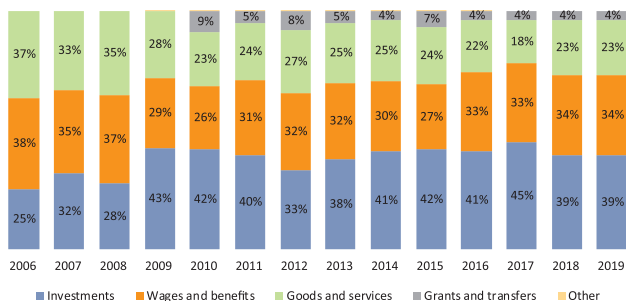
## Local Government Revenue and Total Public Revenue



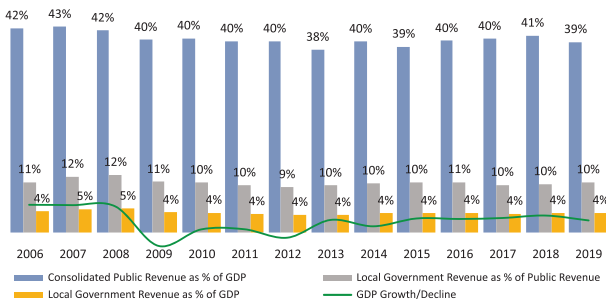
## Composition of Local Revenue, in percent of total



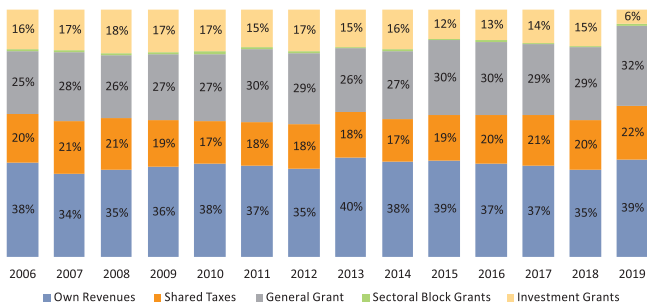
## Composition of Expenditure, in percent of total



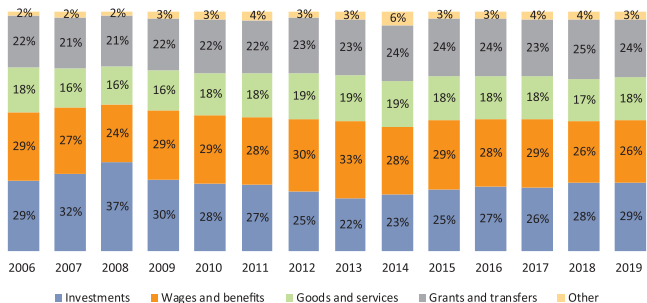
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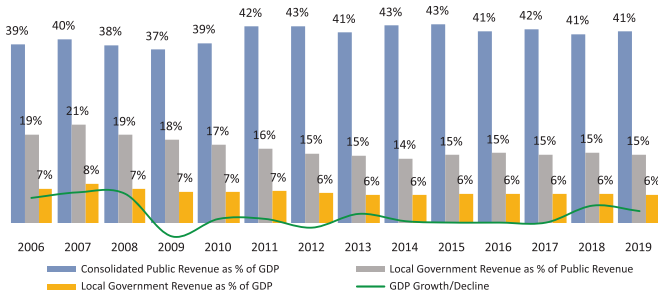
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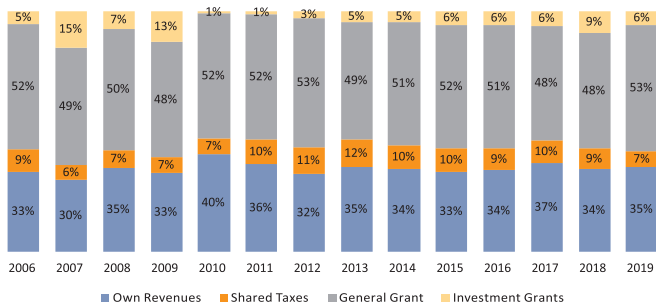
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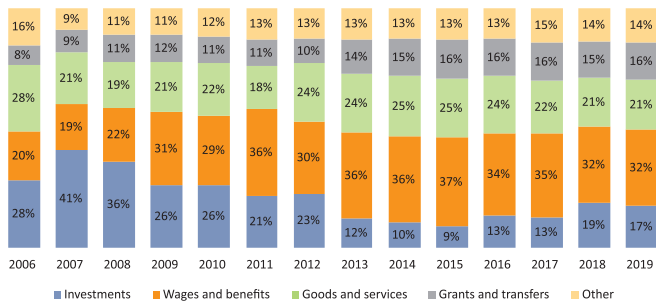
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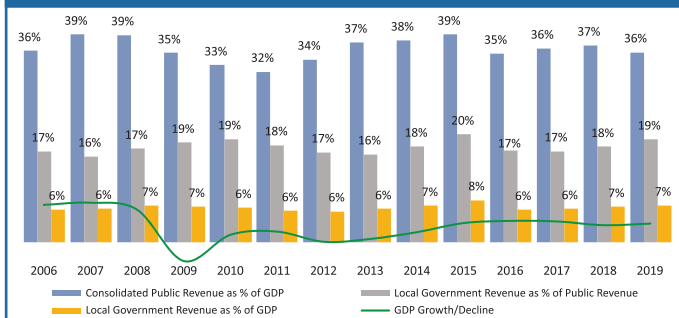
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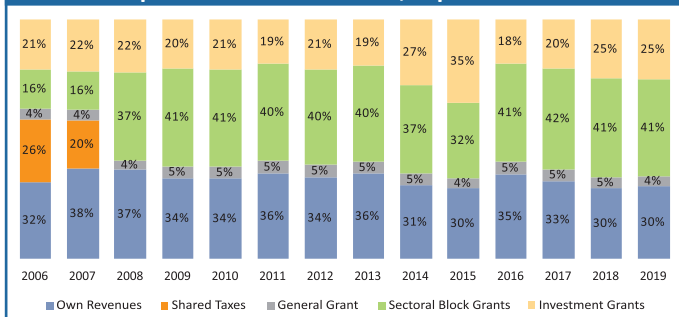
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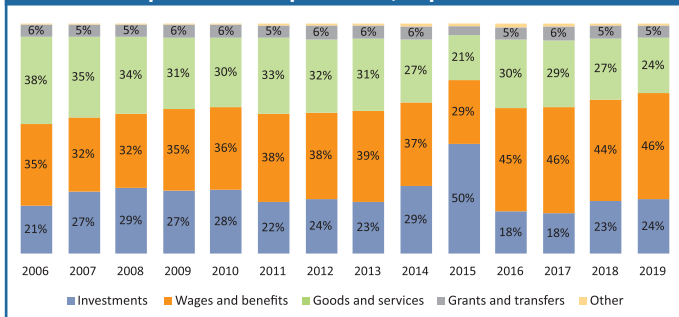
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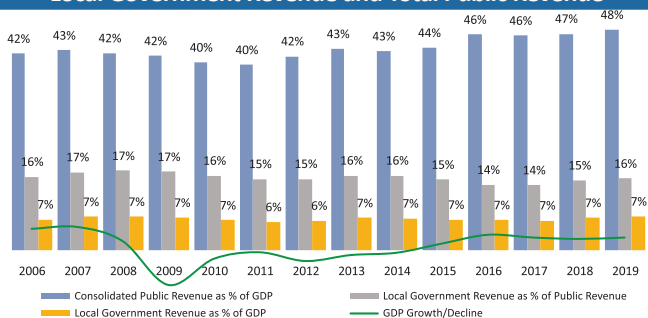
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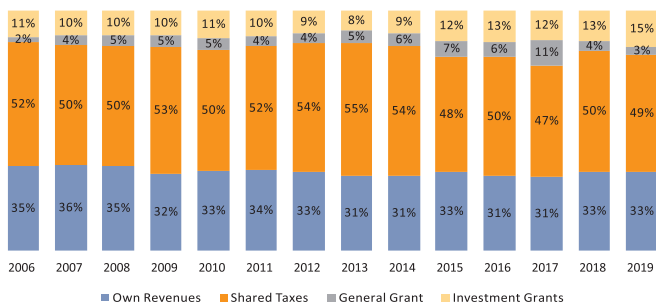
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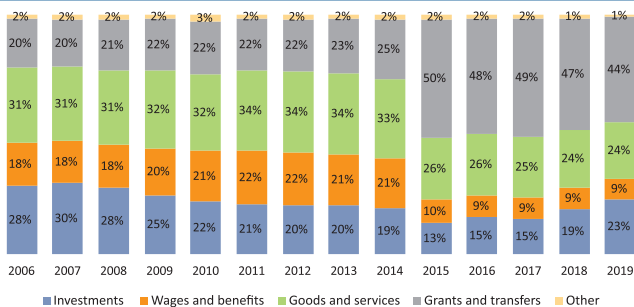
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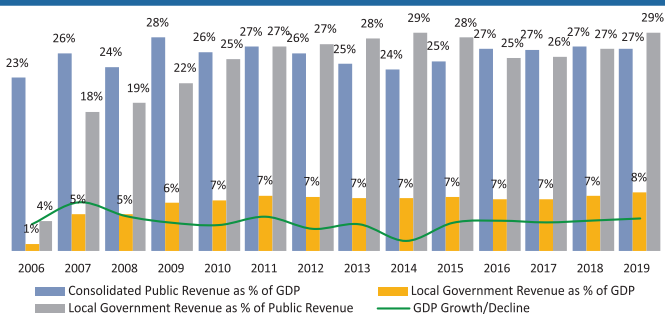
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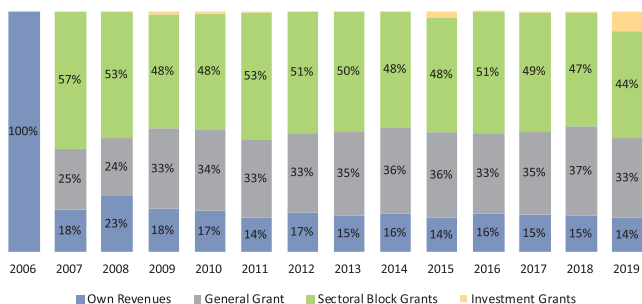
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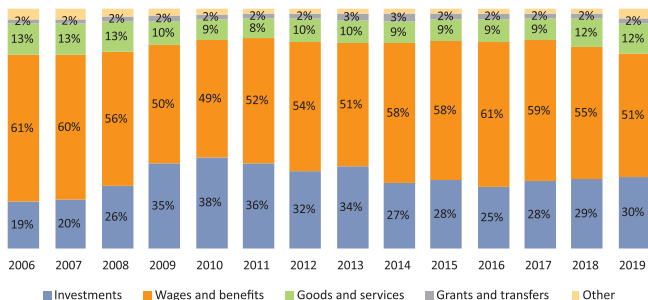
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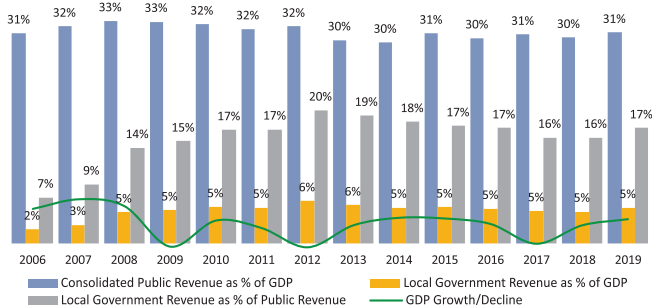
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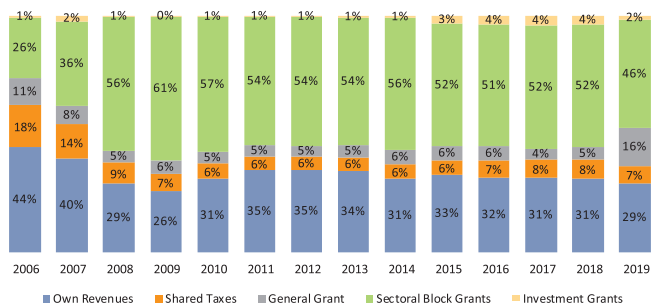
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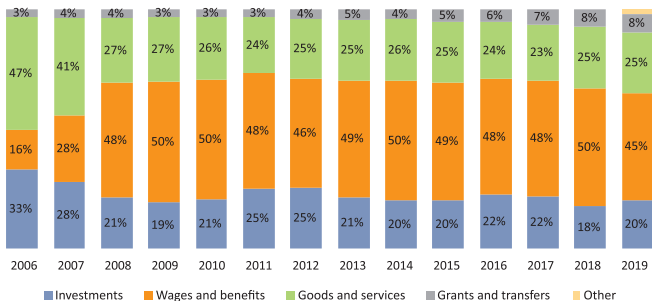
## Local Government Revenue and Total Public Revenue



## Composition of Local Revenue, in percent of total

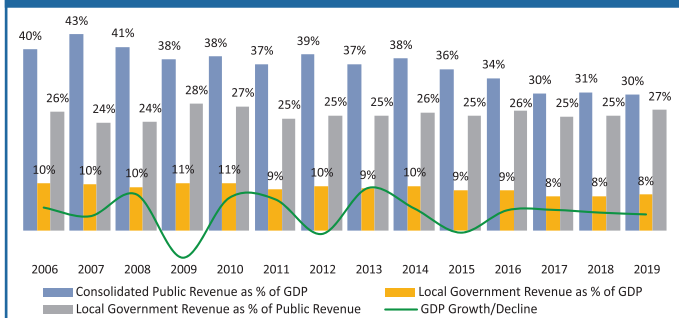


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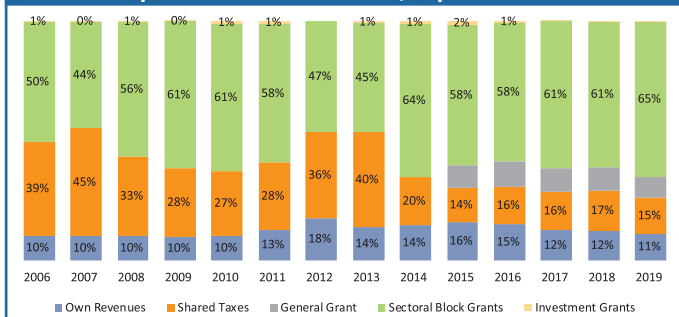




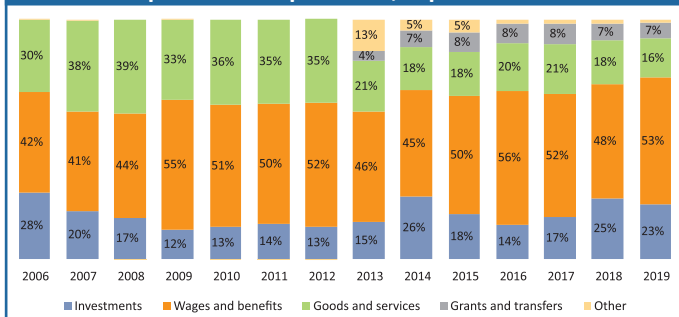
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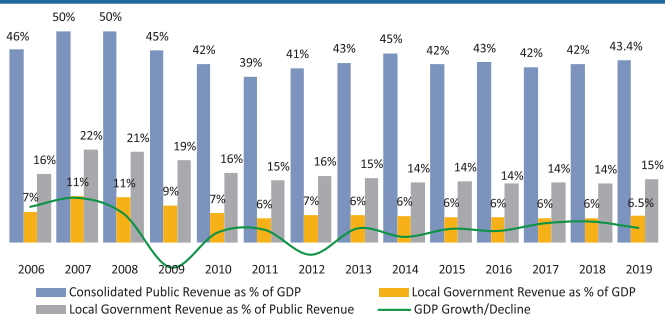
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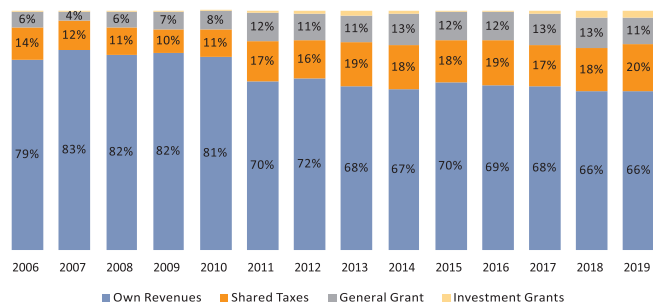
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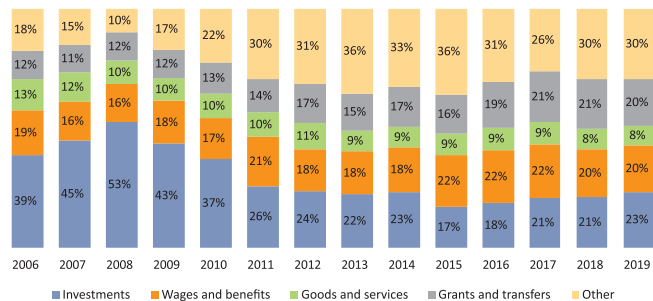
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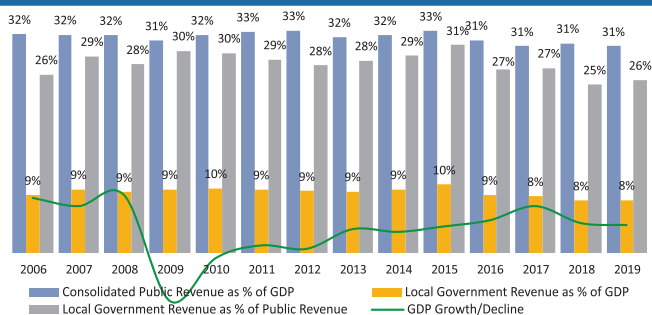
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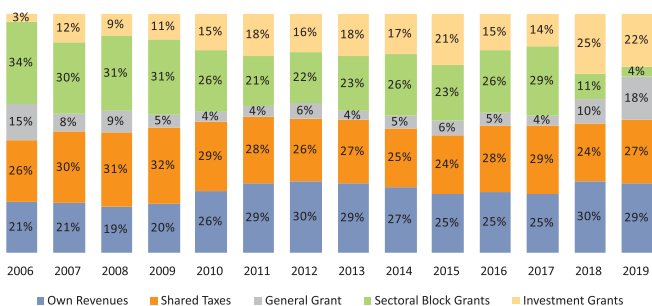
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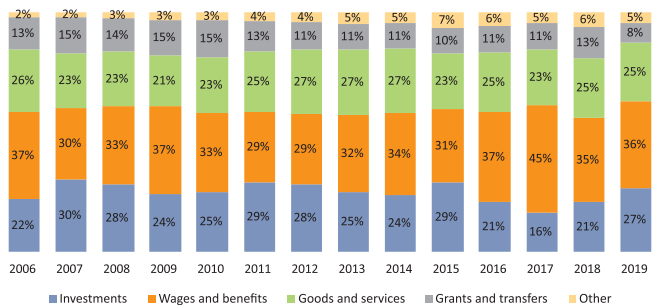
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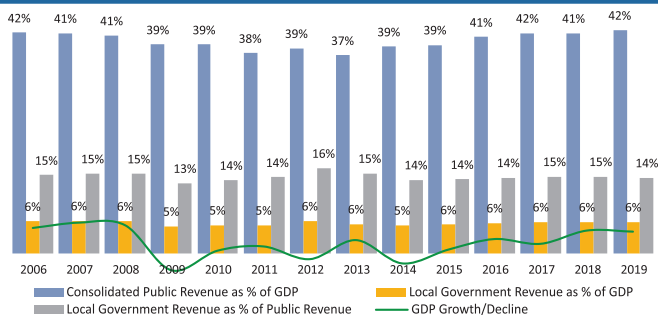
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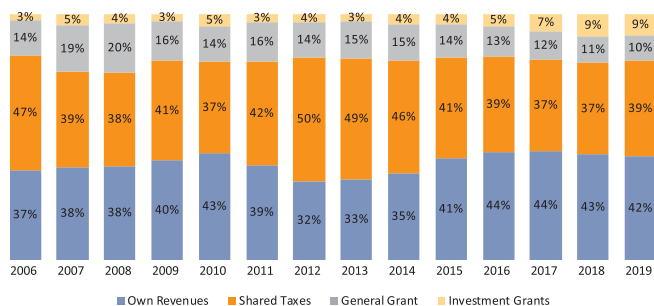
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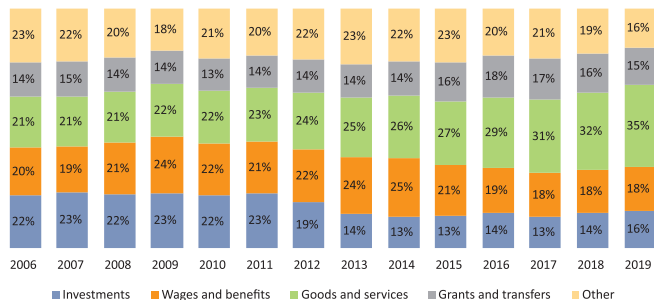
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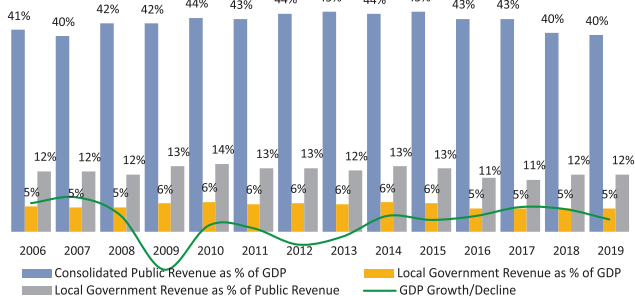
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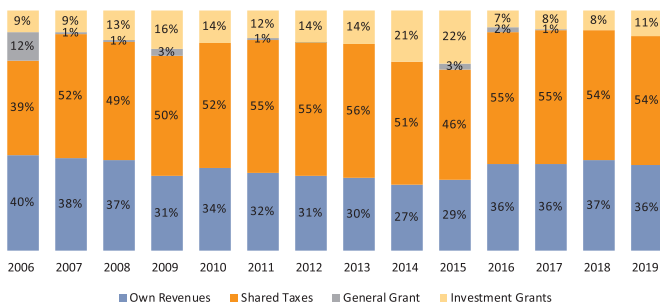
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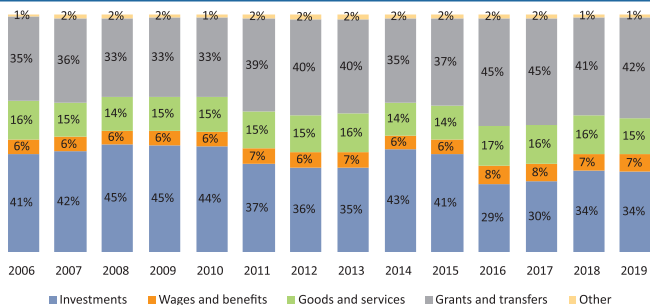
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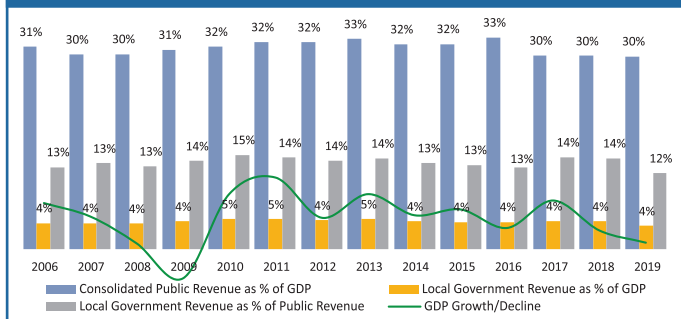
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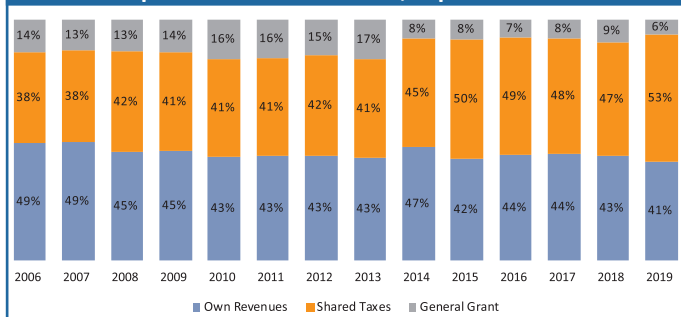
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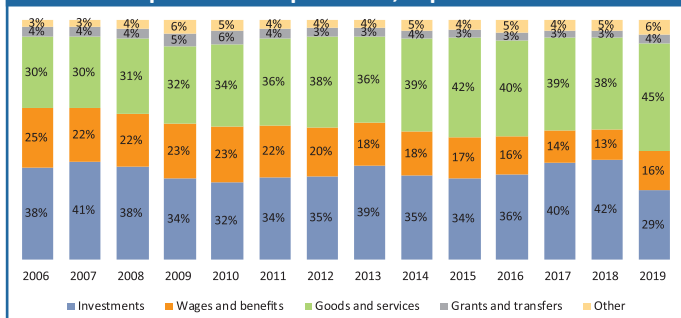
## Local Government Revenue and Total Public Revenue



## Composition of Local Revenue, in percent of total



## Composition of 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 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 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 overtime. 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 2020

CIP - Каталогизација во публикација  
Национална и универзитетска библиотека "Св. Климент Охридски",  
Скопје

336.14:352(4-12)"2020"(047)

Local Government Finance Indicators in South-East  
Europe: Statistical Brief: 2020. - 2nd ed. - Skopje :  
Network of Associations of Local Authorities of  
South-East Europe - NALAS, 2020. - 48 стр.:  
граф. прикази, табели ; 21 см

Фусноти кон текстот

ISBN 978-608-4680-20-8

а) Фискална децентрализација -  
Локална управа - Југоисточна  
Европа - 2020 - Извештаи  
COBISS.MK-ID 52262661

second edition

Varshavska 36 A, 1000 Skopje, Republic of North Macedonia

info@nalas.eu

+389 23090818

www.nalas.eu

