WB-Austria Urban Partnership Program

City to City Dialogues: Municipal Finances Series

Summary Report on Workshop 2
Modernizing Local Public Expenditure Management

May 15-17, 2012
Mavrovo, Macedonia

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I. Introduction

The World Bank Institute under the WB-Austria Urban Partnership Program (UPP) launched the City-to-City Dialogues (C2C) in December 2011. The overarching objective of the C2C is to facilitate a dialogue and peer-learning among city practitioners. The C2C dialogue program includes a series of thematic workshops and actions between the workshops. The key partners are the partner cities, the local government associations and NALAS, their umbrella organization.

This second workshop of the C2C Dialogues on Municipal Finances focused on local public expenditure management. Eight entities of South-East Europe attended the workshop: Albania, Bosnia and Herzegovina (Federation of BiH and Republika Srpska), Croatia, Kosovo, Macedonia, Montenegro, and Serbia, altogether 59 participants. The participants included representatives of the local government associations, the partner cities, the local experts, and delegate from the Kosovo Ministry of Finance. (List of participants is in Annex 1.)

Following the first workshop on local government revenues, this one focused on local expenditures and selected aspects of expenditures management. The workshop sessions were organized as a series of presentations together with panel discussions. This provided a good opportunity for sharing information on Central, Eastern European and global cases in expenditure management, together with experiences from the participating countries.

Beyond the exchange of information on local expenditure management this workshop discussed the initial findings of the two knowledge products of the C2C Dialogues: the Municipal Finances Self-Assessment (MFSA) and the Municipal Finance Review (MFR), and challenges encountered in the process of data collection.

The presentations by international and regional experts provided examples from other countries and the global trends. The panelists presented their national legal-institutional conditions and specific issues in their own cities.

The following sections summarize the discussions, results, and lessons by the workshop sessions (see workshop agenda in Annex 2).

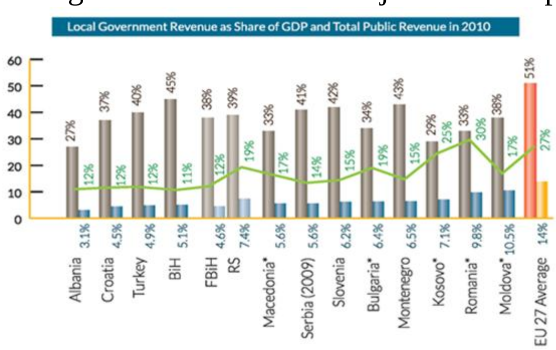
II. Modernizing Local Expenditure Management

Trends and structure of local expenditures in SEE

The NALAS survey gave an overview of expenditures in the countries participating in the City-to-City Dialogues. According to these local government fiscal data, the *level of decentralization* in the region is still below the European average. SEE average local budgets are 5-7 % of GDP, which accounts for 12-15% of public revenues, compared to the EU average of 14% and 27% of GDP respectively. These ratios also indicate that the entire *public sector is relatively underdeveloped* in SEE countries. Public revenue as share of GDP is only 27% in Albania, 29% in Kosovo, 33% in Macedonia and 37% in Croatia, while the EU average is 51%. Consolidated public revenues and local government revenues per capita is rather low in absolute value: ranging from EUR 534 (Kosovo) to 3,907 (Croatia), while the EU average is EUR 12,000.

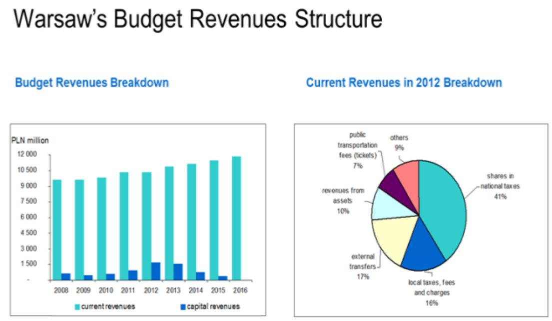
Consequently there is a need for improving the public infrastructure and municipal services. So the share of capital expenditures is relatively high within the overall local budgets. In most of these countries the *capital spending ratio is above 25%*, reaching 38% in Albania. However, the capital expenditures are mostly financed by funds from central government; the higher ratio depends on the national government policies and decisions. So, for example, the high ratio of capital expenditures in Albania is explained by the regulation: ministries should allocate 20% of their capital funds to local government capital investments.

Local governments are not major actors in public investments: - 1% (Albania)-3% (2,8% in Kosovo, Montenegro) of GDP. One third of all public investments are happening at the local level while, in the EU 27 countries, it is 63%, even after the 2010 crisis. This fact raises two issues: a) the level of centralization in capital investments is still high, and b) perhaps the data are not entirely correct, as there is lack of information on capital spending by the off-budget entities. They might use national budget subsidies and perhaps local current subsidies for capital projects.



The financial and economic crisis of the past four years forced *local government cutbacks* in all countries. Presenters reported significant budget restrictions which led to reduction in operation and maintenance costs, using cars, salary benefits (Rijeka), in culture, road maintenance and salaries (Poland). The economic downturn will influence capital investments, as well. Decreasing own revenues affected capital investments as central budget transfers are mostly used by the current budget (Macedonia).

The Polish experiences presented showed strong effects of the economic downturn on cities by increased borrowing which resulted in stable capital expenditures until now in Poland, but decline is expected from 2013. It is mostly due to higher debt burden. However it is kept under control, the municipal debt stock will not exceed 50% of local budget revenue in Warsaw. It is also enforced by the Polish regulation, because the ratio of debt burden in total revenues should be lower than the current surplus and asset sale of the average during the past three years.

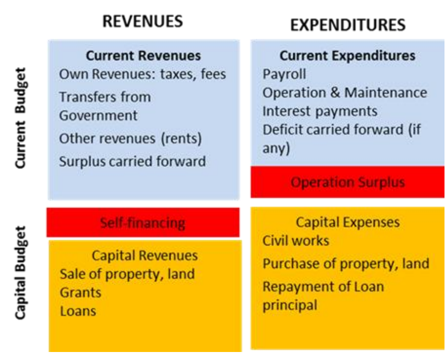


One can conclude that the local budgets should also be balanced by planning the consequences of capital expenditures on current budget. In these countries with rather centralized administration of municipal finances there is a pressure on operation and maintenance costs, as the capital investments project financing is separated from the local budget decisions. In this situation the methods of multi-year budget planning and forecasting of current expenditures due to newly completed capital investments should be improved and built into the budgeting procedures.

Planning and monitoring of local expenditures

Panel presentations in this section covered a variety of issues that are relevant for the next steps in both the MFSA and MFR components. Budgets as they are legally required are not optimized for use in filling out templates that use a different format. This challenge can be overcome, but it also requires extra care in assembling the comparative indicators that may not be supportable using only the statutory formats.

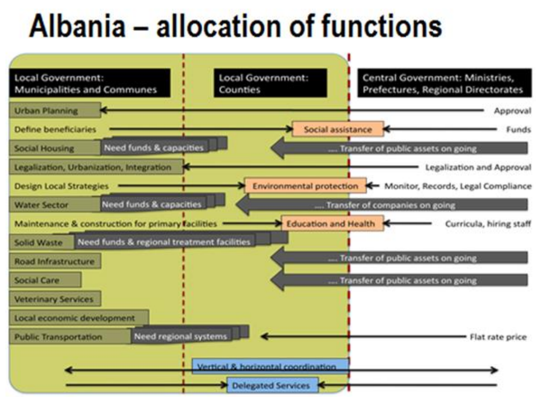
The first key issue involves whether so-called *consolidated budgets* should be used for comparison or benchmark analysis. Expenditures that are done on behalf of the central government such as education and health care are sometimes supported by dedicated or earmarked grants that show up in a separate part of the budget. These grants may not be used for other purposes; hence they are segregated in the reporting forms.



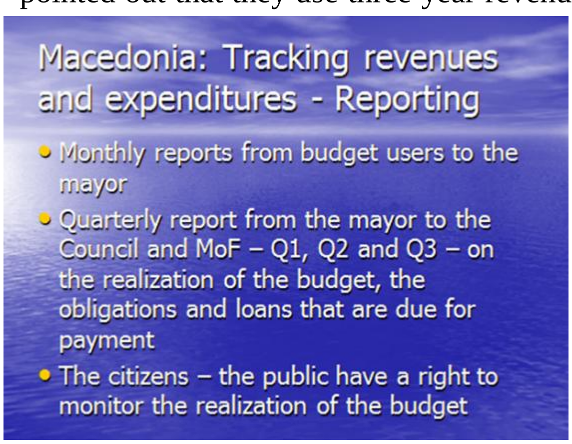
On the other hand, nowhere are these grants sufficient to cover the full cost of delegated tasks, that is, truly own source revenues such as local taxes and rental income, as well as unrestricted shared taxes and transfers are used to supplement these expenditures. When showing the overall operational balance, we suggest taking *all revenues and expenditures* into account.

The separation, where required, remains useful to show separately how much of revenues or expenditures are truly at the *discretion* of the local government. The "funds available" approach requires reclassification and relabeling (e.g. exclusive, own, joint, delegated functions), and allows for determining the two balances: operational vs. capital. This, in turn, shows what funds are truly available for investment or debt service. The restrictions on earmarked grants thus do not interfere with these creditworthiness comparisons. The distinction between own and delegated tasks is not useful in the long run since all tasks are in essence delegated by constitutions and higher order laws, and what matters is the overall balance in the two accounts. It is doubtful that an operational surplus will stem from overgenerous earmarked grants.

The presentations were universally upbeat about the fact that *capital and operational expenditures* are separated, and that mislabeled or mis-identified categories such as maintenance and various grants to other budget users can be dealt with at both the macro (MFR) and micro (MFSA) levels.

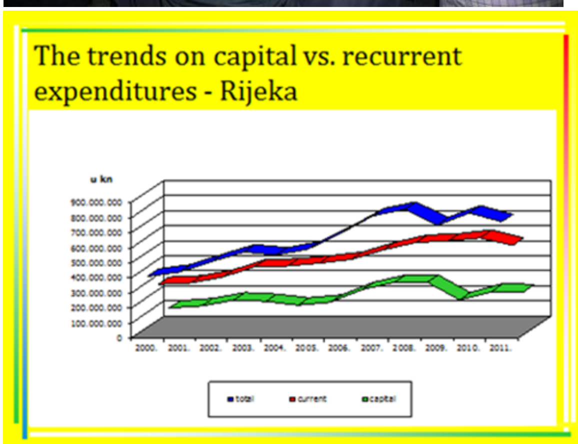


The *details of grant conditions*, and specific good and bad experiences with various types of grants for operational and capital purposes were mentioned by several presenters. While speakers only mentioned the actual budget planning, revenue estimation and expenditure planning in passing, we may assume that the next phase of MFSA will involve more than simple linear projections. Belgrade pointed out that they use three year revenue and expenditure trends in their forecasts, but the macro parameters in Finance Ministry circulars must be followed. For this reason, significant changes in the policy environment mentioned by several speakers (new income tax laws, new rules on property valuation, transfer of tax collection duties, changes in borrowing rules etc.) will be duly noted and analyzed in the MFR policy paper.



Serbia, as well as others, is struggling not only to implement *multi-year budgeting*, but program budgets as well. The process of forming program budgets, however, is slow and still down the road. This problem is shared by all in

Matching Expenditures Against Outputs, Results and other Performance Targets



the region. Impacts of these policy changes were pointed out by many speakersThe function, purpose and effect of "*rebalancing*" to correct for bad planning, unexpected policy and economic changes as well as natural disasters came up in several presentations. Certainly the intensity and occurrence of rebalancing varies across municipalities and political jurisdiction. Rebalancing may be abused to cover up bad or politically motivated planning (underestimating revenues) and what is allowed before formal rebalancing takes place, such as reallocation of existing funds among expenditures varies widely. Allowing rebalancing should not be a substitute for good planning, nor should it be a replacement for making improvements in collections, local revenue policy and such. Rebalanced budgets occur in all of the participating countries and their intensity can be compared, without losing sight of the preventive measures that are possible, or the policy environment that may be stimulating the improper or too frequent use of rebalancing.

One can conclude that a suggested measure could be to compare original budgets with the rebalanced and ultimately actual figures. If some expenditures or revenues routinely are rebalanced in an intense manner, then the true causes would need to be investigated. This type of data should emerge from both the MFSA templates and the MFR aggregate figures. Cross-country comparison, however, could only be indicative as rules for rebalancing probably vary widely.

Local service management

Critical financial and regulatory issues of local public service management were discussed by using various examples of public education, utility services and municipal solid waste management. Presentations and country cases have all highlighted the following basic conditions of effective and efficient local service management in South Eastern Europe: delegated services, cost recovery, subsidies and grants, arrears, and private sector participation.

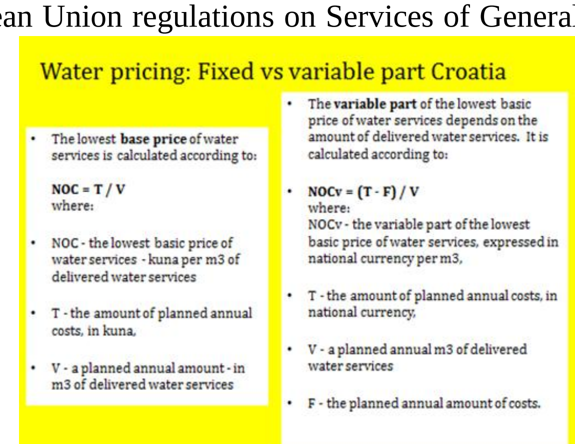
Delegated services: In the case of delegated services the proper *balance of sectoral regulations and financing mechanisms* should be developed. Changes in the professional, technical requirements should be followed by the assignment of public functions and the reform of financing rules. In many transition countries the case of kindergartens is a good example demonstrating the need for improved balance of professional and financial conditions. The pre-school services are proved to be important conditions for successful primary education. Kindergartens support social equity by developing mental, social and physical capabilities of children from very different social groups. However, the financing and management regulations of this merit based service do not always follow the changes in demand. Kindergartens are usually devolved services, mostly financed by own source revenues, while there is a high need for equalization grants and clear responsibilities in regulation.

Main Steps in Setting Tariff

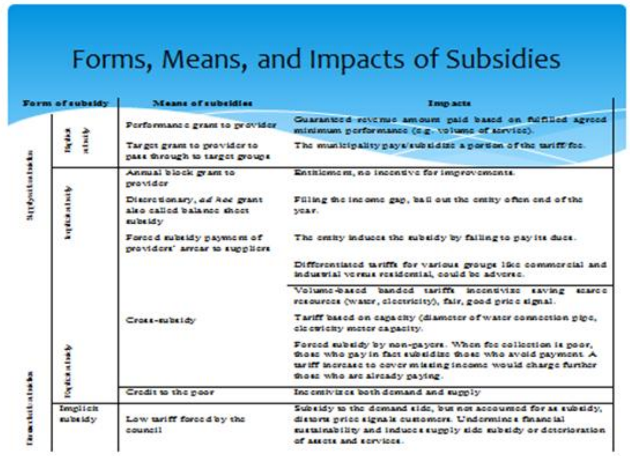
* Calculate the existing cost of service
* Develop alternative scenarios
* Calculate the costs by scenarios
* Calculate tariffs by scenarios
* Compare tariffs to willingness to pay
* Recalculate tariffs
* Discuss results with stakeholders
* Select the preferred scenario
* Build public support
* Present to tariff-setting body and secure a tariff change

Source: USAID

Cost recovery: Communal and utility services are typically financed by *user charges*. Full cost pricing is a basic requirement for introducing market mechanisms, especially in water and municipal solid waste management, as well as public transportation. Pricing mechanisms should raise sufficient funds not only for regular operation and maintenance expenditures, but for capital investments as well. Reasonable level of profit is also allowed by the European Union regulations on Services of General Economic Interest. However, in SEE countries with relatively underdeveloped utility services (e.g. waste water collection and treatment) there are some obstacles of full cost pricing. For example, high level of non-accounted revenues for water might reach 50% in the water sector due to leakages, illegal or non-registered connections, or false metering. They will put the financial burden of service provision on the paying customers. Lack of proper regulatory mechanisms and strong political influence over the utility companies causes operational inefficiencies such as low collection rates, overstaffing and disincentives for regionalization.

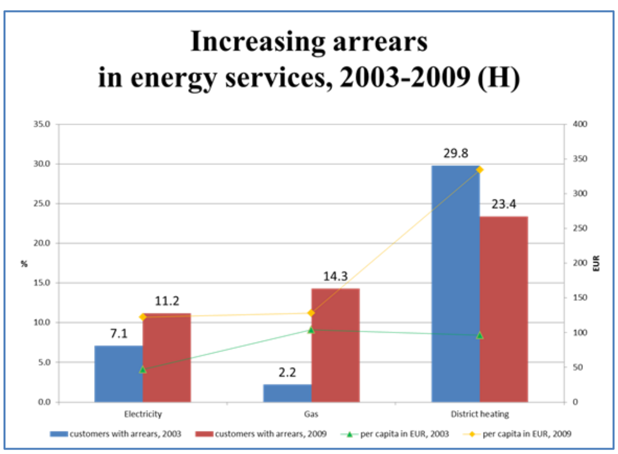


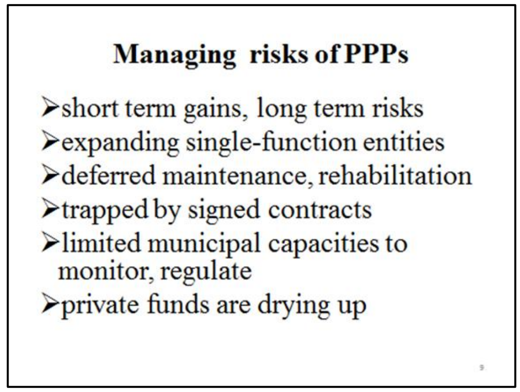
Subsidies and *grants* are usually needed for financing local utility services for funding externalities and to manage social problems. Transfers might be provided in the form of cross-subsidies that are paying for the costs of services by the revenue raising services. Cross-subsidization is acceptable if the costs are clearly separable, the cost allocation rules are transparent and the taxation regulations are followed (e.g. in the EU countries only taxed profits can be transferred to other activities within a company). There are other hidden forms of subsidies, when the user charges are designed differently for various groups of customers (e.g. businesses pay more than residents), tariffs are differentiated by the type of use or they are made progressive. The supply side subsidies common in SEE are not only counter-productive, but against EU regulations; thus they should be avoided and substituted by targeted, explicit, demand side subsidies.



Form of subsidy	Means of subsidies	Impacts
	Performance grant to provider	Guaranteed revenue amount paid based on fulfilled agreed minimum performance (e.g. volume of service).
	Target grant to provider to pass through to target groups	The municipality pays/subsidize a portion of the tariff/fee.
	Annual block grant to provider	Entitlement, no incentive for improvements.
	Discretionary, *ad hoc* grant also called balance sheet subsidy	Filling the income gap, bail out the entity often end of the year.
	Forced subsidy payment of providers' arrear to suppliers	The entity induces the subsidy by failing to pay its dues.
	Cross-subsidy	Differentiated tariffs for various groups like commercial and industrial versus residential, could be adverse.
		Volume-based banded tariffs incentivize saving scarce resources (water, electricity), fair, good price signal.
		Tariff based on capacity (diameter of water connection pipe, electricity meter capacity.
		Forced subsidy by non-payers. When fee collection is poor, those who pay in fact subsidize those who avoid payment. A tariff increase to cover missing income would charge further those who are already paying.
	Credit to the poor	Incentivizes both demand and supply
Implicit subsidy	Low tariff forced by the council	Subsidy to the demand side, but not accounted for as subsidy, distorts price signals customers. Undermines financial sustainability and induces supply side subsidy or deterioration of assets and services.

Arrears increase in many countries which introduced full cost pricing of local utility services. Following several decades of subsidized public services and facing serious social problems, local governments are not able to manage the problems of delinquencies alone. However, together with the public utility companies they can improve collection efficiency and enforcement. Simply cutting-off the services for non-payers is not always possible for technical reasons (e.g. in single pipe district heating systems) or for public health considerations. But there are solutions, like introducing metering for cost allocation or reducing consumption quantity or time. Prevention proved to be more effective tool for dealing with delayed payment: targeted social subsidies for the poor, counseling for the families with high accumulated debt, introducing pre-paid cards or other forms of smart metering will limit the arrears. These solutions are joint responsibilities of the local governments, utility companies, NGOs and the service users, themselves.

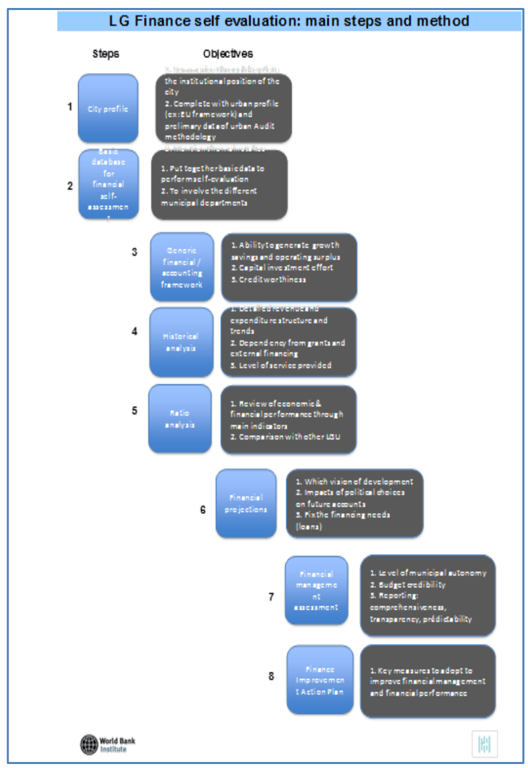




Private sector participation is emerging in the SEE countries. It provides significant benefits for the utility sector by bringing in capital, service technology and know-how in company management, customer relations and tariff collection. Commercialization and privatization of local utility companies will be successful only if the regulatory framework is developed in parallel. Service contract with measurable outputs, stable and transparent form of compensation, diverse monitoring and customer control techniques are basic components of the local regulatory framework. In the SEE region contracting-out is often the consequence of the economic crisis and it is a response on the budget restrictions when municipal labor cost should be reduced. But in-house monitoring capacity of local governments should be kept for regulating these privatized services and for controlling commercial service organizations.

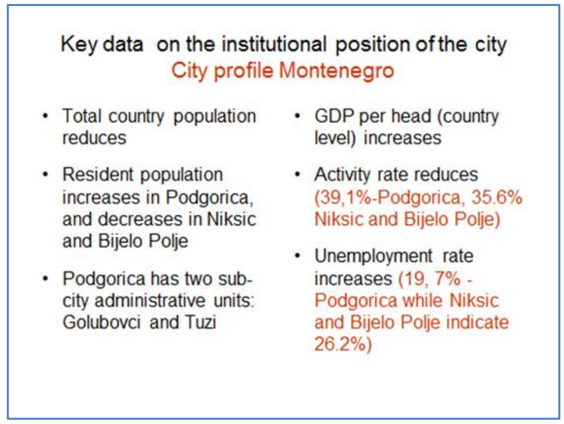
III. Municipal Financial Self-assessment

The session discussed experiences and preliminary results regarding the Municipal Finances Self-Assessments (MFSA) introduced in the first C2C workshop in Budapest, in December 2011. About 20-25 cities and municipalities of the West Balkan countries expressed interest in participating in the MFSA process and are receiving, since March 2012, technical assistance from national consultants hired by the WBI. Ten of them have taken the opportunity of the Mavrovo workshop to present their first MFSA results: **Crikvenica** and **Rijeka** in Croatia, **Gostivar, Gazi Baba** and **Bogovinje** in Macedonia, **Podgorica**, **Niksic** and **Bijelo Polje** in Montenegro, **Belgrade** in Serbia and **Novo Sarajevo** in Bosnia and Herzegovina.



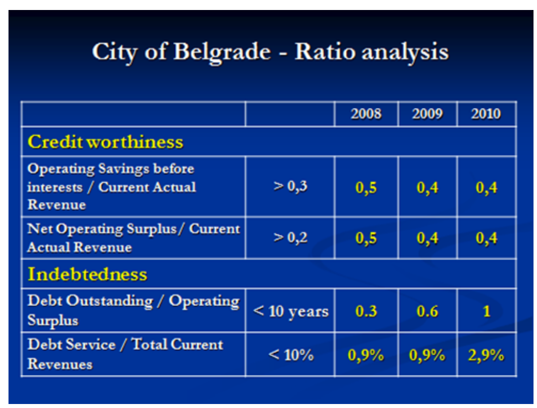
The generic exercise for MFSA disseminated by the WBI offers a consistent model that contains eight steps organized in four blocks: City Profile and Basic Financial Data Base (Step 1), General Financial Framework, Historical and Ratio analysis (Step 2), Financial Projections (Step 3), Financial Management Assessment, and Finance Improvement Action Plan (Step 4) – *see figure for more details*.

The objectives are (1) to help the municipal staff to get directly involved in a regular process of financial self-assessment, and to be able to present to different partners, internal and external, their financial capacity or position of the Municipality and (2) to engage participating municipalities in a reform process (Improvement Action Plan). The main concerns include the following: Is the Municipality able to invest, to borrow money and to repay a loan? Are the local finances sufficient to deliver basic services to the citizens? Does the Municipality manage properly the intergovernmental transfers allocated by the central level? Is the local tax burden adequate with the level of services?



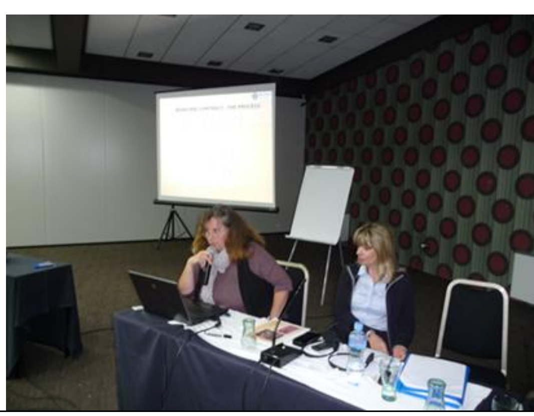
The Municipal Finances Self-Assessment template shared with the partner cities in the C2C dialogue is intentionally generic and is being adapted to the local context and specificities.

The cities currently involved in the process didn't face particular difficulties to adapt the template to their situation and to provide results on the two first blocks, till the ratio analysis. Two countries, Croatia and Macedonia, have progressed well in filling out the MFSA template and submitted them to WBI. Others made good progress (e.g. Serbia), but are still working on the data collection. Participants appreciated the merits of the MFSA, yet found filling out these templates useful, but demanding, and in some cases the timing coincided with the budget preparation that made the work even more difficult.


City of Belgrade - Ratio analysis

		2008	2009	2010
Credit worthiness				
Operating Savings before interests / Current Actual Revenue	> 0,3	0,5	0,4	0,4
Net Operating Surplus / Current Actual Revenue	> 0,2	0,5	0,4	0,4
Indebtedness				
Debt Outstanding / Operating Surplus	< 10 years	0.3	0.6	1
Debt Service / Total Current Revenues	< 10%	0,9%	0,9%	2,9%

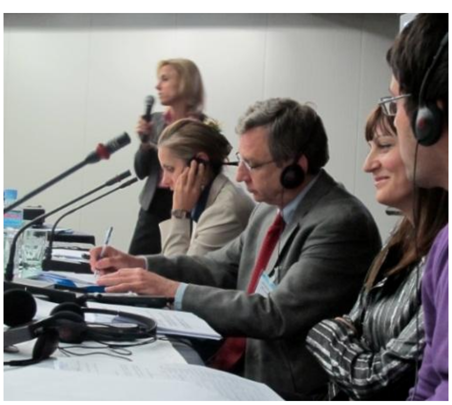
The preliminary lesson learned from the workshop presentation is the MFSA exercise has a visible influence on City management improvement, even if the methods are different and if some participants had difficulty to follow strictly the framework. Participants have been particularly receptive to Cities index (Ratio analysis) that provide comparative benchmarks on financial performance, local taxation, level of services, and business incentives … they could gradually become targets for the local elected officials and their staff.



Even if their mandate doesn't encompass all the functions of public service delivery, municipal governments have included population mobility and globalization in their policies and know that they have to compete with other cities to ensure their development: level of services provided to the population, social welfare, housing, environment protection, investment climate… are on the top of the priorities of most of the large and medium size cities in the region. From a more institutional point of view, the lack of visibility of intergovernmental transfers is on the top of the concerns expressed by the municipal staff. They consider the MSFA as a tool to illustrate better and reinforce the effort they provide to face the difficulties.

The discussion endorsed the value of the MFSA methodology, which is a good step for participating cities towards using the same language in discussing municipal finance matters, comparing cities to each other and to international benchmarks. The lessons learned include:

- The MFSA should be seen as self-assessment, for the cities, by the cities, and of the cities; rather than a reporting exercise to third parties (Government, WBI);
- The MFSA should be strategic, namely to focus on drawing strategic conclusions by analyzing the data entered in the templates;
- The financial improvement plans should be built on and consistent with the results and strategic conclusions and locally manageable targets set accordingly.
- Targeting broad national policy issues directly not addressed nor supported by MFSA data should be avoided in improvement plans; rather left for other policy dialogue;
- The ratio analysis is a very useful tool; yet comparing our cities to international benchmarks should not be seen in absolute terms but better using them with care and for supporting identification of improvements in local context.
- Using national averages in parallel with international benchmarks might be justified; since the national averages reflect the impact of national intergovernmental finance structure (e.g. definition of shared revenues, current and capital budget, operation surplus, capital expenditures).
- The separation of current and capital budgets will need further clarification down the road, since the national rules and practices are diverse in the SEE countries (it refers more specifically to the way to account the land sales proceeds and to make difference between maintenance and investment costs).



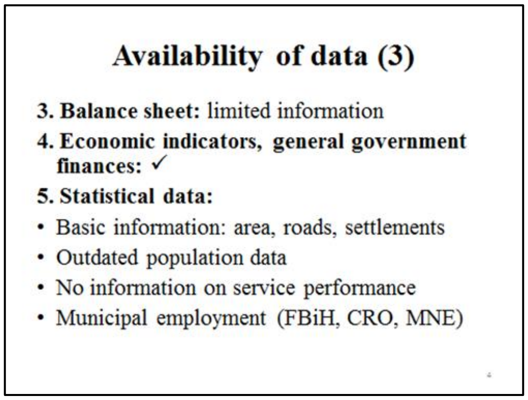
It is expected that the next workshop will give the opportunity to go further to Financial Projections and Municipal Improvement Action Plan.

The session agreed that the participating cities will fill out the MFSA templates based on the workshop discussions by the end of June 2012. The local consultants will help further clarification of issues by facilitating communication between the cities and the international experts.

IV. Municipal Finance Review

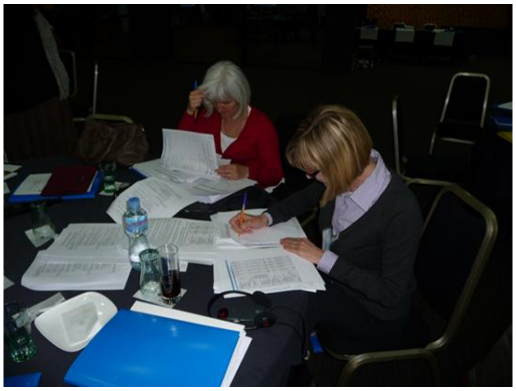
The present status and the following steps of the Municipal Finance Review (MFR) were discussed at the other methodological session. The participants agreed that MFR supplements the Municipal Finances Self-Assessment by providing tools for the local government associations in policy making and benchmarking. Outputs of the MFR are: (i) municipal finance datasets and (ii) analytical tools (the indicators, support to budget negotiations). The municipal finance datasets will be available in a disaggregated format for domestic purposes and in an aggregate format for international comparison.

MFR supports the LGAs and NALAS as partners and ultimate project beneficiaries by (i) providing the structured datasets, (ii) developing the requested analytical tools, and (iii) preparing reports on municipal finances. Municipal finance datasets will include information for analytical purposes, but it is not a database in a format accessible by external users.



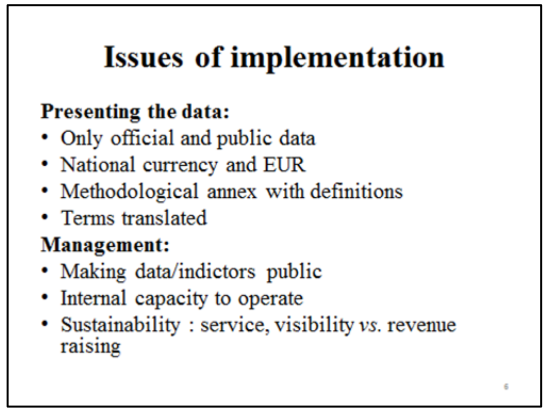
On the expenditure side, fiscal information by economic classification should be more aggregated (8-10 items). But the datasets by functions will be more detailed, according to the services provided by the municipalities. So beyond the general COFOG categories expenditure data should be also presented by the main types of municipal services, such as water management, municipal solid waste management, public transportation, primary, secondary education, etc.

On the revenue side, for domestic analytical purposes the revenue categories specified by the relevant laws should be followed. Reclassification might be needed for benchmarking purposes, for example, when capital revenues are separated from current ones, or own revenue raising autonomy is



measured. Categorization of transfers should be adjusted to the regulations on grant allocation (e.g. earmarked grants for education, unconditional equalization grants). However, for regional comparison the revenues should be reclassified, as it is proposed in the stocktaking report, section 1.2 on municipal revenues.

The next step in the MFR implementation is to put together the municipal finance datasets by collecting the raw data and doing the necessary cleaning, aggregation, coding (e.g. adding the codes on administrative categories, regional location), merging the fiscal and statistical data. The following steps will be different by country groups: (i) local experts wait for the MoF response on the WB letter (Serbia, Macedonia); (ii) an agreement will be developed with some LGAs; (iii) in BiH and Montenegro the compilation of the datasets will be continued, the indicators can be selected; (iv) in Kosovo the work will be started as soon as the new local expert is hired.



As soon as the domestic data are available in a manageable format, the dataset and the indicators for regional comparison will be developed. The basic requirement for the dataset is the analytical tool defined by the minimum set of indicators (section 2.12 of the stocktaking report).

The local experts will analyze the domestic, disaggregated municipal finance data. This analysis should respond to the present debates in each country and also to the issues mentioned in the section 3.9 of the stocktaking report. The report outline will be discussed with the regional expert. The local experts will be asked to contribute to the regional analysis by providing information on the issues listed in section 2.12 (e.g. on differentiation and concentration, grant dependency).

Timing of all these activities depends on when the datasets are developed. The target day is June 30.

V. City-to-City Dialogue–Next Steps

The second workshop on C2C dialogue was a very successful event as illustrated by the high level of participation, lively dialogues, open discussion of results and challenges across SEE countries, active and supportive participation by the national municipal associations and NALAS, and a very interesting visit to the city of Gostivar with open and very constructive discussion with the Mayor and city managers.

Participants strongly endorsed the planned next steps, including the full completion of the MFSA, and MFR exercises and continuation of the C2C dialogues. The next C2C workshop is planned to be devoted to the public asset management, a vital issue for SEE countries; yet organizers are open to receive alternative proposals for priority topics. The preliminary timing of the next workshop is end of October, early November 2012 in Montenegro

Annexes

Annex 1. Workshop participants

nr.	First Name	Last Name	City	Position/Department	Institution
1	Arian	Barbullushi	Lezha	Head of Finance Dept	Lezha Municipality
2	Ferik	Koci	Berat	Budget Specialist	Berat Municipality
3	Qemal	Cejku	Kamez	Finance Department	Kamza Municipality
4	Teuta	Haxhi	Shkodra	Head of Finance Dept	City administration
5	Maja	Rasic	Banja Luka	Department of Finance	Banja Luka city administration
6	Dejan	Vujic	Banja Luka	Head of Budget	Banja Luka city administration
7	Anja	Popovic	Banja Luka	Department of Finance	Banja Luka city administration
8	Nevenka	Lucar	Prijedor	Head of Budget	Prijedor city administration
9	Marinko	Tadic	Prijedor	Budget Department	Prijedor city administration
10	Borisav	Gvozden	Modrica	Head of Finance	Municipality of Modrica
11	Edina	Habibija	Novo Sarajevo	Assistant Head of Finance	Municipality of Novo Sarajevo
12	Mirela	Spaho	Novo Sarajevo	Head of Finance	Municipality Novo Sarajevo
13	Ante	Mađerić,	Rijeka	Finanical Advisor to the Mayor	City of Rijeka
14	Dzenet	Brkaric	Rijeka	Head of Budget	City of Rijeka
15	Snježana	Sikirić	Crikvenica	Head of Financial Department	City of Crikvenica
16	Petrit	Popova	MoF	Budget Director	Ministry of Finance
17	Muhamet	Spahiu	Suhareke	Director of department for dinance	City of Suhareke
18	Aferdita	Garpci	Peja	Head of Fin.	City Peja

19	Granit	Thaqi	Peja	Finance Dep.	City of Peja
20	Qazim	Mehmeti	Gjakova	Head of Department	City Gjakova
21	Osman	Sadikaj	Istog	Head of Department	Municipality of Istog
22	Aleksandra	Saravinov	Skopje	Fin. Department	City of Skopje
23	Evgenija	Gramatikova	Strumica	Head of Fin. Departmrnt	Municipality of Strumica
24	Kiril	Partalov	Strumica	Secretary of Strumica municipality	Municipality of Strumica
25	Shiret	Elezi	Gostivar	Head of Department	Municipality of Gostivar
26	Vladimir	Bozinovski	Gazi Baba	Adviser in the Sector for financial issues	Municipality of Gazi Baba
27	Halil	Isaku	Bogovinje	Advisor taxes and fees	Municipality of Bogovinje
28	Gordana	Radovic	MoF	Ministry of Finance	Montenegro
29	Mitar	Matijasevic	Niksic	Secretary of Economy and Finance	Municipality of Niksic
30	Ivan	Perunovic	Niksic	Financial Department	Municipality of Niksic
31	Snezana	Popovic	Podgorica	Head of the Budget Sector Secretariat for Finance	City of Podgorica
32	Miomir	Jaksic	Podgorica	Secreatry of finance	City of Podgorica
33	Abaz	Kujovic	Bijelo Polje	Deputy Mayor	Municipality of Bijelo Polje
34	Alida	Nuhodzic	Bijelo Polje	Secretary of Finance	Municipality of Bijelo Polje
35	Ranka	Peric	Belgrade	Assistant to the Director of Treasury	City of Belgrade
36	Gordana	Jelenic	Belgrade	Chief of the debt management, debt inflows, investment funds and placing KRT-dunds of the City Belgrade	City of Belgrade
37	Fatos	Hodaj	AAM	Director	Tirana
38	Vasilika	Tuni	AAM	Finance TF member	Tirana
39	Dzenita	Kovacevic	SOGFBiH	Finance TF member	Sarajevo

40	Dijana	Coric	ALVRS BL	Financial Advisor ALVRS	Bijeljina
41	Zana	Djukic	UM	TF/LGA	Podgorica
42	Natasa	Ilijeva-Aceva	NALAS	Program Officer	SEE
43	Kelmend	Zajazi	NALAS	Executive Director	SEE
44	Anila	Gjika	AL	Local expert	Tirana
45	Goran	Rakic	BiH	Local expert	Bijeljina
46	Anto	Bajo	CRO	Local expert	Zagreb
47	Marjan	Nikolov	MKD	Local expert	Skopje
48	Natasa	Obradovic	MNE	Local expert	Podgorica
49	Ljiljana	Brdarevic	SRB	Local expert	Belgrade
50	Sabine	Palmreuther		Sr. Operations Officer	WBIUR
51	Catherine	Farvaque Vitkovic		Lead Urban Development Specialist	WBIUR
52	Tamara	Nikolic		Operations Officer	WBIUR
53	Bjorn	Philip		Urban Specialist	WB
54	Anne	Sinet		Consultant	Groupe Huit
55	Mihaly	Kopanyi		Consultant	WBIUR
56	Charles	Jokay		Professor	CEU
57	Gabor	Peteri		Executive Director	LGID Ltd
58	Tony	Levitas		MF Expert	
59	Pawel	Kondraszkewicz		Head of Financial Analysis Office Debt Policy and Cash Management Department	City of Warsaw

Annex 2. Workshop agenda

Modernizing Local Public Expenditure Management
Workshop 2: Mavrovo, Macedonia, May 15-17, 2012

May 14, Monday	***Arrival, registration (arrangement for transport from Skopje to conference location)***
May 15, Tuesday	
9:00-9:30	Registration Welcome remarks: objectives and agenda Municipalities *Catherine Farvacque-Vitkovic and Sabine Palmreuther, WBI Urban*
9:30-10:45	***Session 1: Expenditures in SEE; Setting the Stage*** Moderator: *Charles Jokay* **NALAS Report on Fiscal Decentralization in South East Europe: Key Findings** Presenter: *Natasha Ilijeva-Acevska **NALAS*** **Overview of Expenditure Issues in SEE**: **Impact of the Financial Crisis and Beyond** *Presenter: Tony Levitas* *1.* major structural changes in the finances or service responsibilities of local governments across SEE ***2.*** CIP: neglected, and costly (network) infrastructure *Question and Answers*
10:45-11:00	*Coffee Break*
11:00-13:00	***Session 2: Recurrent and capital investment expenditures: A Balancing Act*** Moderator: *Mihaly Kopanyi* **Recurrent expenditures versus capital investment expenditures: Experiences from Warsaw (Poland)** *Presenter:* Mr. Pawel Kondraszewicz, Head of Unit, Warsaw Treasury Department *Question and Answers* **Panel discussion** *Moderators: Charles Jokay + Gábor Péteri* - What is the structure of expenditures? - What are the trends on capital vs. recurrent expenditures? - How do you define capital expenditures and where do you hide (leasing, PPP)? - How long can you defer repair and maintenance?

	Panelists: *Representative City of Rijeka: Ante Madjeric* *Albania local expert: Anila Gjika*
13:00 – 14:00	Lunch
15:00	Visit to Gostivar
18.00 Group dinner in Vrutok village	
May 16, Wednesday	
9:00-10:15	***Session 3: Planning and expenditure control techniques*** Moderator: *Gabor Peteri* **Making budgets real: planning expenditure: methods and techniques** *Presentation:* Mihaly Kopanyi **Panel discussion** *Moderators: Charles Jokay + Gábor Péteri* *City of Banja Luka: Vujic Dejan* *City of Peja: Aferdita Grapci* *City of Bijelo Polje: Abaz Kujovic*
10:15-10:30	*Coffee Break*
10:30-12.00	***Session 4: Expenditure and revenue monitoring*** Moderator: Tony Levitas **Budget as a tool for expenditure monitoring and control*:* regional experiences and international lessons** Presenter: *Charles Jokay* How does the budget execution reporting system offer real time "indicators and warnings" of problems related to: a) Expenditure monitoring: execution, recording of transactions, allocation of costs against budget b) Revenue monitoring: does the budget system allow managers to monitor revenue collection vs. the plan or historical data? **Panel discussion** *Moderators: Charles Jokay + Gábor Péteri* *Representative of LGA Federation Bosnia and Herzegovina: Dzenita Kovacevic* *Serbia local expert: Ljiljana Brdarevic* *Representative Municipality of Strumica: Evgenija Gramatikova*
12:00 – 2:00	*Lunch*
2:00 – 19:00	***Session 5: MFSA experiences*** Moderator*: Mihaly Kopanyi*

	Keynote Presenter: Anne Sinet ***Country presentations**:* MFSA – sharing of preliminary findings. Each country to present its preliminary data and findings **Plenary or Group discussions**: • cooperation with the partner cities • availability, reliability of data • how to interpret MFSA data • how to put these results into implementation: formulating improvement action plans - ***Croatia*** - ***Macedonia*** - ***Montenegro*** - ***Serbia*** - ***Albania*** - ***Bosnia and Herzegovina***
20.00 Group dinner at hotel	
May 17, Thursday	
9:00-11:00	***Session 6: Managing local public services*** Moderator: *Charles Jokay* *Panel discussion* a) Delegated services: health and education (*Tony Levitas*) b) Price setting of local utility services (*Mihaly Kopanyi)* c) Promoting and regulating private provision of utility service (*Gábor Péteri)* d) Water supply and pricing policy in Croatia (*Anto Bajo*) e) Managing local public services in Montenegro (*Natasa Obradovic*) **Panel discussion** *Moderators: Charles Jokay + Gábor Peteri*
11:00-11:15	*Coffee Break*
11:15-12:15	***Session 7: Municipal Finance Review (MFR)*** Moderator: *Gábor Péteri* Municipal Finance Review Preliminary Findings by local experts a) availability of data, lessons from data-collection b) proposed analytical tools and indicators c) utilizing the available information: LGA plans
12:15-12:30	**Session 8: City to City Dialogue: Municipal Finances Series**: Next Steps *Catherine Farvacque-Vitkovic and Sabine Palmreuther*
	Lunch
Afternoon	***Departure to Skopje/airport***