SERBIA

UNITARY COUNTRY

EURO-ASIA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - **UPPER MIDDLE INCOME** Local currency - **SERBIAN DINAR (RSD)**

POPULATION AND GEOGRAPHY

AREA: **77 474** km²

POPULATION: **7.129** million inhabitants (2014), a decrease of 0.6 % per year (2010-2014)

DENSITY: **92** inhabitants/km²

URBAN POPULATION: **55.6%** of national population

CAPITAL CITY: **Belgrade** (16.6% of national population)

Sources: World Bank Development Indicators, UNDP-HDI, ILO

ECONOMIC DATA

GDP: **96.9** billion (current PPP international dollars) i.e. 13 592 dollars per inhabitant (2014)

REAL GDP GROWTH: **-1.8%** (2014 vs 2013)

UNEMPLOYMENT RATE: **18.9%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **2 000** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **15.6%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.771** (high), **rank 66**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
174	-	**2**	**176**
23 CITIES (GRAD) AND **150 MUNICIPALITIES** (OPSTINA) **+ CITY OF BELGRADE** AVERAGE MUNICIPAL SIZE: **40 805 INHABITANTS**		**2 AUTONOMOUS PROVINCES** (POKRAJINE VOJVODINA AND KOSOVO AND METOHIJA)	

MAIN FEATURES OF TERRITORIAL ORGANISATION. Serbia is a unitary country with a one tier structure of government. This tier is composed by 150 municipalities (*opstina*), 23 Cities (grad) and the City of Belgrade, which are themselves divided into several subordinate administrative units (*mesna zajednica*). Municipalities (usually>10000hab), has an assembly, public service property and a budget. They comprise local communities. Cities (>100000) have an assembly and budget of its own. Municipalities and cities are gathered into larger entities known as districts which are regional centers of state authority. Besides 5 Regions created for statistical purposes, there are also 2 autonomous Provinces, Pokrajine Vojvodina as well as Kosovo and Metohija. Local governments' existence and autonomy are enshrined in the Constitution of Republic of Serbia (2006) and the Law on Local Governments (2007).

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. The main local responsibilities are infrastructure services including urban water supply, sanitation and sewerage, local road maintenance, solid waste management, urban planning and housing as well as transport, heating, kindergartens and preschool education, facilities in the field of sport and culture, public lighting. Competences on primary and secondary education and on social care are shared with the central State level, with staff wages beeing paid by local governments, and facilities and investment costs beeing covered by municipal budgets. Other shared responsibilities include management of local airports and social housing centers for the youth.

SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2012)	**7.9%**	**16.8%**	**100%**
CURRENT EXPENDITURE	6.4%	-	81.8%
STAFF EXPENDITURE	2.3%	19.0%	29.8%
INVESTMENT	1.4%	43.5%	18.2%

The share of spending undertaken by municipalities has increased over the years, reflecting the influence of new legal framework on the devolution of powers and municipal funding. With the financial crisis and its consequences in terms of budget cuts getting gradually away, municipalities are able to launch projects that were stopped by lack of funding and capital expenditures have been recently increasing again.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE

Most part of subnational budget is spent on economic affairs, general public services, education and housing and community amenities (between 21 and 19% of total subnational expenditures for each sector), which reflects a diversified field of responsibilities.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2012)	**7.9%**	**19.3%**	**100%**
TAX REVENUE	4.5%	18.4%	56.6%
GRANTS AND SUBSIDIES	2.1%	-	26.2%
OTHER REVENUES	1.4%	-	17.2%

Last local finance reform of 2007 has modified the LG's revenues system. Municipal resources are perceived from local and shared taxation, block grants and fees and charges. Local governments perceive revenues equal to 7.9% of GDP in 2012, which is relatively low in comparaison to EU average.

TAX REVENUE. In 2006, Serbia passed the Law on Local Government Finance which set the share of the personal income tax local governments receive. Thereby, in 2012, Personal income tax (PIT) revenues represent the main municipal financial resource (around 65%). PIT is a shared tax levied by the central government on gross wages, payroll tax and on income comming from self-employed, agriculture exploitation, ect. Municipalities can receive 80% of the tax (70% for Belgrade capital-city). Besides the PIT, local taxation relies on proprerty transfer tax, which accounts for almost 35% of total tax revenues, and tax on inheritance and gift. LGs can set rate of the property tax in the limits provided by the lax on local self-governments.

GRANTS AND SUBSIDIES. Municipalities receive non-earmarked transfers (equalization fund for intergovernmental transfers to compensate for the disparities between local governments, legally set at 1.7% of GDP ; compensation transfers; transitional transfer; general transfers) as well as earmarked transfers (block transfers; categorical transfers in a narrow sense). National government in Serbia has cut some local grants after the Great Recession. Finally, current grants account for 92.5% of local government transfer revenues, against 6.6% for capital grants. The 2011 amendments also created a new transfer called the Solidarity Transfer to all municipalities except the City of Belgrade, equal to 10% of the wage taxes of the City of Belgrade, but in practices is functioning is not transparent.

OTHER REVENUES. Municipalities are able to perceive fees on urban land use, as well as business license and land development fees (especially for the City of Belgrade).

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	-	-

Under the public debt law, municipalities are allowed to borrow to finance capital investment. Either loans or bonds may be contracted on both domestic (Serbian government funds) and foreign capital markets, in domestic or foreign currency. The above-mentioned law on public debt also provides for ceilings. Level of municipal borrowing has rapidly grown over the last 4 years¸ and local debt represents a negligible share of total public debt. Yet at the national level, the consolidated debt of the General Government now exceeds the limits set by the Maastricht Treaty.

A joint- study of:

UCLG United Cities and Local Governments   OECD

Sources: IMF-GFS • World Bank (2013), *Serbia municipal finance and expenditure review* • EU Committee of the Regions • PEFA Serbia Assessment (2013) • Network of Associations of Local Authorities of South-East Europe (2016), Fiscal Decentralization Indicators for South-East Europe: 2006-2014

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