

## 1. City Profile

**Territorial organization:** Total area of the city and the 51 surrounding settlements is 795 km<sup>2</sup> (79,500 ha). The city is located on the right bank of the Sava River, 103 km upstream from Belgrade, near the border with Croatia and Bosnia and Herzegovina.

**Population:** 115,884 (2011 census); 115,287 (2012 estimate). Annual growth: -0.6%. Density: 1.45/ha (145/km<sup>2</sup>).

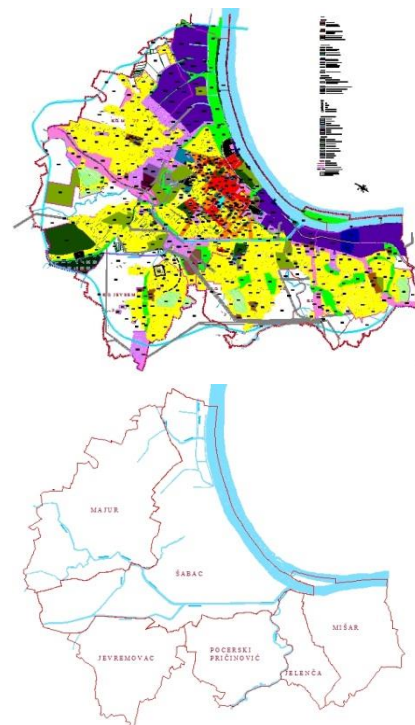
**Economy:** 4,222 business entities, of which 2,843 are entrepreneurs. Labor force: 80,155 or 69% of the population; Unemployed: 21% (registered 2012). The city is the economic and cultural center of the Macva region and surroundings. Fertile agricultural land and the waters of the rivers Sava and Drina support industrial activities, water processing, agriculture, river transport, and tourism. The industries include chemicals, pharmaceuticals, the metal industry, machinery manufacturing, food production, construction, and building materials.

**Utilities management:** The city has created six public enterprises and four public utility companies for water supply and sewerage, heating, waste management and sanitation, and parking services.

**Municipal staff:** 584 of which 192 are in city administration and 392 in preschool education.

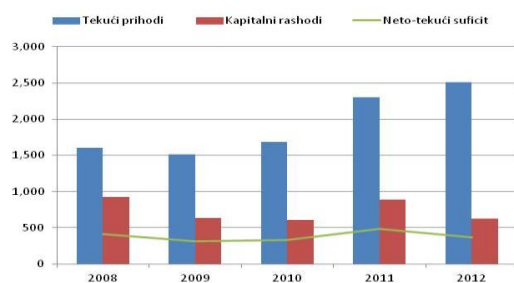
**Existing Project Investment Plan:** The city has adopted a three-year capital expenditure plan based on its **Development Strategy 2010-2020**, the **Master Plan (2008)**, the **Spatial Plan**, and the detailed regulation plan. The major capital projects are: construction of a new heating plant, a sports facility (swimming pool), public utility networks (water, sewerage, gas, and hot water); utility equipment for the northwest working zone; construction of the section of highway between Ruma and Sabac (connection to Corridor 10); reconstruction of the railway between Bosnia and Herzegovina. Public-private partnerships are being explored for the construction of an underground parking garage and a new settlement on the banks of the Sava river

**Urban issues & challenges:** To modernize the existing infrastructure and reduce unemployment by attracting new industries and services, including small- and medium-size enterprises (business clusters).



## 2. Financial Situation

Opis	Milion RSD					Milion EUR	
	2008 Izvršenje	2009 Izvršenje	2010 Izvršenje	2011 Izvršenje	2012 Izvršenje	2012 Izvršenje	Rast 2008-12
Tekući prihodi	1,603	1,514	1,683	2,306	2,507	22.1	12.8%
Suficit u godini N-1	0	43	28	348	0	0.0	
<b>Ukupni tekući prihodi godine N</b>	<b>1,603</b>	<b>1,471</b>	<b>1,655</b>	<b>1,958</b>	<b>2,507</b>	<b>22.1</b>	<b>12.7%</b>
<b>Tekući rashodi</b>	<b>1,158</b>	<b>1,128</b>	<b>1,217</b>	<b>1,514</b>	<b>1,770</b>	<b>15.6</b>	<b>11.7%</b>
Tekući suficit	445	386	466	792	737	6.5	17.6%
Otplata duga (glavnica i kamata)	34	73	133	302	373	3.3	87.1%
<b>Neto-tekući suficit</b>	<b>411</b>	<b>313</b>	<b>333</b>	<b>490</b>	<b>364</b>	<b>3.2</b>	<b>1.0%</b>
<b>Kapitalni rashodi</b>	<b>923</b>	<b>632</b>	<b>605</b>	<b>888</b>	<b>629</b>	<b>5.5</b>	<b>-4.6%</b>
Finansiranje							
Kapitalni prihodi	421	243	266	296	190	1.7	-14.3%
Kapitalni transferi i donacije	2	0	8	42	0	0.0	
Primanja od zaduživanja	125	100	345	240	200	1.8	44.5%
Ukupno stanje - suficit	35	25	347	180	125	1.1	298.0%
<b>Kumulativno stanje</b>	<b>35</b>	<b>60</b>	<b>407</b>	<b>587</b>	<b>712</b>	<b>6.3</b>	



**Exchange:** 1 RSD = 0.00881 EUR / 1 EUR = 113.47 RSD (Dec. 2012)

**Inflation index:** 2008: +6.8%; 2009: +6.6%; 2010: +10.3%; 2011: +7%; 2012: +12.2%

- **2012 actual budget** of the City of Šabac is about **EUR25.5 million** of which EUR22.1 million are current revenues.

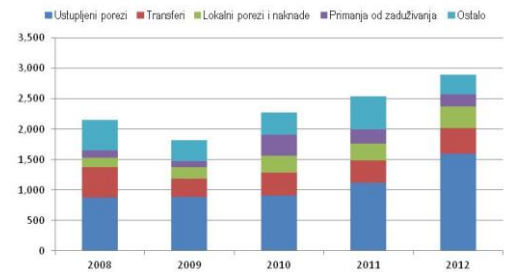
- **Average annual growth** of current revenues was +11.8% and +11.2% for current expenditures. These are above the average inflation rate and annual population growth for the period.

- **The slower annual increase in current expenditure** compared to current revenues yielded an upward trend in operating margin: 386 (2009) to 792 (2011) and 737 (2012) million RSD.

- The operating surplus was used exclusively for **funding capital expenditures** (from 605 to 923 million RSD) and loan repayment. Apart from net margin, capital expenditures were funded mainly from capital revenue (mostly land development and lease fees) and from loan proceeds (loans from local commercial banks).

### 3. Historical Analysis: Revenues & Expenditures

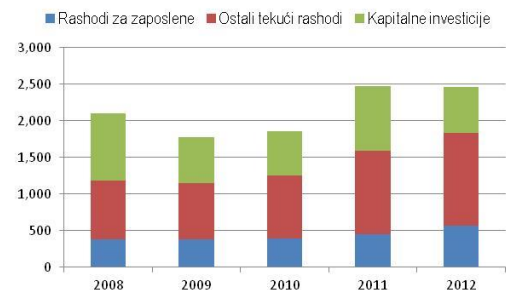
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<b>TEKUĆI PRIHODI</b>	<b>1,603</b>	<b>1,471</b>	<b>1,655</b>	<b>1,958</b>	<b>2,507</b>	<b>22.1</b>	<b>12.7%</b>
Ustupljeni prihodi od Republike	1,367	1,191	1,275	1,449	2,019	17.8	11.8%
Ustupljeni porezi i naknade	877	882	910	1,119	1,602	14.1	17.5%
Nenamenski transferi	441	303	303	331	397	3.5	-0.5%
Namenski transferi	50	6	61	0	20	0.2	
<b>Sopstveni prihodi</b>	<b>236</b>	<b>280</b>	<b>381</b>	<b>509</b>	<b>488</b>	<b>4.3</b>	<b>21.1%</b>
Lokalni porezi	135	165	240	244	316	2.8	24.8%
Lokalne takse i naknade	21	21	35	29	41	0.4	21.6%
Lokalni prihodi od imovine	78	87	84	133	111	1.0	12.6%
Lokalni mešoviti prihodi	2	8	22	103	21	0.2	188.6%
<b>KAPITALNI PRIHODI I PRIMANJA</b>	<b>551</b>	<b>346</b>	<b>620</b>	<b>579</b>	<b>391</b>	<b>3.4</b>	<b>0.7%</b>



Until 2011, current revenue made on average 77%, and capital revenues and proceeds from borrowing were 23% of the total budget. In 2012, the share of current revenues increased to 87% because the city's portion of the Republic's salary tax was increased from 40%- 80%.

The most significant current revenues are shared taxes (59%), state transfers (20%), and local taxes and fees (14%). The highest shared revenue is PIT (personal income tax) with an average share of 51% of current revenue. Local property tax, with an average share of only 6%, should be increased in the future. Unconditional state transfers showed a high volatility, and an average annual decrease of -0.5%, while own local revenue recorded an annual growth of 21%. Shared PIT, with an annual growth by 21%, made up for and significantly exceeded the reduction in state transfers

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<b>TEKUĆI RASHODI</b>	<b>1,158</b>	<b>1,128</b>	<b>1,217</b>	<b>1,514</b>	<b>1,770</b>	<b>15.6</b>	<b>11.7%</b>
Rashodi za zaposlene	376	387	389	453	572	5.0	11.5%
Rashodi za zaposlene	419	395	425	570	521	4.6	6.8%
Tekuće subvencije, dotacije i transferi	273	273	311	452	566	5.0	21.1%
Ostali tekući rashodi	90	73	92	38	112	1.0	35.9%
<b>OTPLATA DUGA</b>	<b>34</b>	<b>73</b>	<b>133</b>	<b>302</b>	<b>373</b>	<b>3.3</b>	<b>87.1%</b>
<b>KAPITALNI RASHODI</b>	<b>923</b>	<b>632</b>	<b>605</b>	<b>888</b>	<b>629</b>	<b>5.5</b>	<b>-4.6%</b>



The share of current expenses for payroll (20%), and for goods and services (22%) were relatively stable and made up 42% of total budget expenditure. The share of current transfers and subsidies rose from 13% to 23% because of increased social transfers to citizens and subsidies for public companies during the recession. Capital expenditures dropped from 44% (2008) to 33% (2010) and 25% (2012) as the result of budget reallocations in favor of social transfers and subsidies because of the unforeseen fiscal and economic developments.

### 4. Ratio Analysis

Kriterijum/Indikator	Reper	2008	2009	2010	2011	2012
<b>1. Kreditna sposobnost</b>						
Tekući suficit pre kamata / Tekući prihodi	> 0.3	0.28	0.26	0.28	0.40	0.29
Neto tekući suficit (nakon otplate duga) / Tekući prihodi	> 0.2	0.26	0.21	0.20	0.25	0.15
<b>2. Zaduženost</b>						
Stanje duga / Tekući suficit	< 10 god	0.6	1.2	0.9	0.6	0.7
Otplata duga / Ukupni tekući prihodi	< 10 %	2%	5%	8%	13%	15%
<b>3. Fiskalna autonomija</b>						
Sopstveni porezi i nenamenski transferi / Ukupni tekući	> 80 %	95%	94%	94%	88%	95%
<b>4. Kapitalna ulaganja</b>						
Kapitalni rashodi / Tekući prihodi	> 40 %	58%	43%	37%	45%	25%
<b>5. Nivo usluga</b>						
Troškovi održavanja / Tekući rashodi	> 30 %	10%	10%	11%	7%	6%
<b>6 Ostalo</b>						
Izdaci za zaposlene / Tekući rashodi	> 40 %	32%	34%	31%	29%	31%
Ostvareni prihodi / Planirani prihodi	> 95 %	97%	93%	101%	102%	89%
Neizmirene obaveze / Neto gotovina na kraju godine	> 1	0.1	0.0	0.1	0.0	0.0
Ukupna finansijska imovina / Ukupne finansijske obaveze	1.02	1.02	1.01	1.18	1.07	1.05

- **Operating margin** is stable and shows an acceptable level of credit worthiness.
- **Indebtedness** increased but is under control and leaves room for an enhanced debt repayment plan.
- **Fiscal autonomy** is high even though fiscal regulation is still unpredictable.
- **City investment efforts** are high and could be increased through additional sources of financing.
- **Ratio indicators** confirm a low risk of debt default, but indicate a need for better debt management in order to expand investment activities and to further enhance the city's creditworthiness.

### 5. Financial projections / Investment programming

Need to align the urban development vision and municipal finance system. The main assumptions for projections are historical analysis and the assumptions behind the budget circular from the central government

### 6. Municipal Finance Improvement Plan

As a result of applying the MFS, the following areas for improvement have been identified:

- **Introduction of financially sustainable capital investment planning.** Timeframe: 2014–2015; financing: city budget, funds from the EU and international donors.
- **Introduction of asset management.** Timeframe: 2014–2016; financing: city budget, funds from the EU and international donors.
- **Introduction of internal audit.** Timeframe: 2014–2016; financing: city budget, funds from the EU and international donors.
- **Introduction of program budgeting** with the aim of monitoring the implementation of strategic goals. Timeframe: 2013–2015; financing: city budget, funds from the EU and international donors.

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