

## 1. City Profile

**Territorial organization:** Capital City, center of the District of Belgrade, consists of 17 submunicipalities. Total area of the city: 360 km<sup>2</sup>. Total area of the District: 3,227 km<sup>2</sup>. Regulated by a special law (2007) with vertical and horizontal coordination mechanisms.

**Population:** 1,774,000 (District); Annual growth: +4%. Density (city): 35/ha; Density (District): 5.5/ha.

**Economy:** GDP per capita: 6,749 EUR (estimate 2012). Belgrade holds 64,090 business entities, not including individual entrepreneurs, and a labor force of 1,144,886, or 69% of the population (2011). The unemployment rate in 2012 was 15.3%. Located on the Danube and Corridors 7 and 10, it has the highest concentration in the Republic of Serbia (RS) of scientific, intellectual, cultural, and service capacities, with a well-developed infrastructure and with potential in the areas of information and communications technologies. It also boasts highly cumulative and creative industries, services, and public services

**Utilities management:** The city created 9 public enterprises, 1 organization, and 11 public utility companies covering water supply & sewerage, heating, funeral services, marketplaces, landscaping, sanitation, parking, public lighting, public transport, road maintenance, city housing, utility fee collection, and so forth. Autonomous Public Utility Companies (PUCs) operate in the 7 suburban municipalities.

**Municipal staff:** 12,343: 4,021 in city administration and 8,322 in preschool administration.

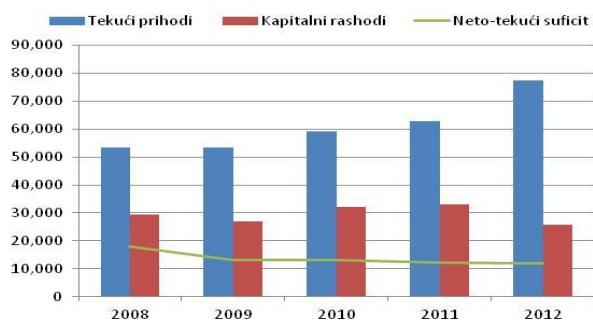
**Current Project Investment Plan:** The first three-year capital expenditure plan was adopted for the period 2013-2015 in accordance with the **Development Strategy** ending in 2016, the **Regional Spatial Plan** of the Belgrade Administrative Area, and the **Belgrade Master Plan**. **Planned investments in billions of RSD: 30.4 (2013), 35.2 (2014), 34.2 (2015)**. The current structure of investments: 59% for transport and utility infrastructure; 49% for housing, education, social welfare and health care, and sports and culture.

**Urban issues and challenges:** Upgrading the City of Belgrade to rank high among the capitals of Central, East, and South-East Europe, with respect to sustained economic growth, advances in technology, greater territorial cohesion within the city, greater accessibility, established polycentrism and decentralization, and a developed urban identity (Source: *Development Strategy 2008*).



## 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	53,417	53,357	59,137	62,690	77,497	683	10.1%
Suficit u godini N-1	5,640	6,583	3,965	2,878	2,785	25	-13.4%
<b>Ukupni tekući prihodi godine N</b>	<b>47,777</b>	<b>46,775</b>	<b>55,172</b>	<b>59,812</b>	<b>74,711</b>	<b>658</b>	<b>12.3%</b>
<b>Tekući rashodi</b>	<b>34,656</b>	<b>38,941</b>	<b>43,971</b>	<b>47,579</b>	<b>61,653</b>	<b>543</b>	<b>15.8%</b>
Tekući suficit	18,761	14,416	15,166	15,111	15,844	140	-3.4%
Otplata duga (glavnica i kamata)	921	1,255	2,071	2,857	3,931	35	44.2%
<b>Neto-tekući suficit</b>	<b>17,839</b>	<b>13,161</b>	<b>13,096</b>	<b>12,254</b>	<b>11,913</b>	<b>105</b>	<b>-9.0%</b>
<b>Kapitalni rashodi</b>	<b>29,282</b>	<b>26,932</b>	<b>31,975</b>	<b>32,971</b>	<b>25,622</b>	<b>226</b>	<b>-2.1%</b>
Finansiranje							
Kapitalni prihodi	14,225	10,806	10,060	8,901	7,883	69	-13.5%
Kapitalni transferi i donacije	36	102	414	358	372	3	119.4%
Primanja od zaduživanja	3,650	5,616	11,547	14,217	7,956	70	34.6%
Ukupno stanje - suficit	6,468	2,753	3,141	2,759	2,503	22	-16.2%
<b>Kumulativno stanje</b>	<b>6,468</b>	<b>9,221</b>	<b>12,363</b>	<b>15,122</b>	<b>17,625</b>	<b>155</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 Belgrade is EUR817 million of which EUR676 million from current revenues.**

• **Average annual growth** of current revenues in the period under review was +9.7% which is below the inflation rate + annual population growth rate.

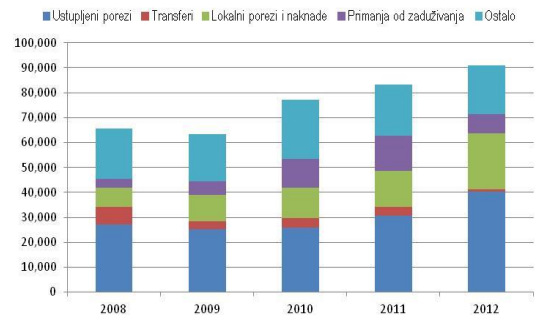
• The rapid rise in **debt service** (+56% during the period) significantly reduced the net margin (-6%). The same is true for the **overall surplus**, which shows a downward trend.

• **The current expenditure** increased rapidly during the recession, because of increased social transfers and subsidies.

• **Investment effort** was rather stable in the period at about 30 billion RSD or EUR223 million) about 40% of which was funded with net margin, 30% by loan proceeds from the EIB, EBRD and local commercial banks, and 30% from capital revenue (mostly land development and lease fees)

### 3. Historical Analysis: Revenues & Expenditures

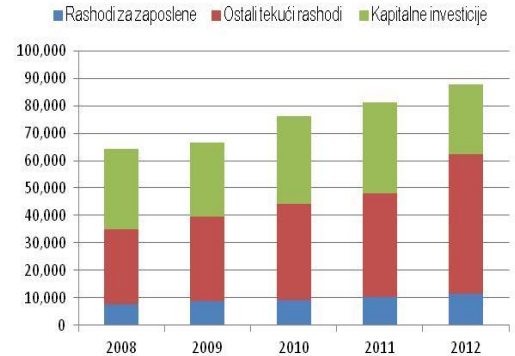
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<b>TEKUĆI PRIHODI</b>	<b>47,777</b>	<b>46,775</b>	<b>55,172</b>	<b>59,812</b>	<b>74,711</b>	<b>658</b>	<b>12.3%</b>
Ustupljeni prihodi od Republike	34,329	28,508	29,594	33,914	40,770	359	5.4%
Ustupljeni porezi i naknade	27,252	25,215	25,773	30,494	40,370	356	11.4%
Nenamenski transferi	7,015	2,960	3,485	3,246	0	0	-36.7%
Namenski transferi	62	333	337	173	400	4	130.1%
<b>Sopstveni prihodi</b>	<b>13,447</b>	<b>18,267</b>	<b>25,578</b>	<b>25,898</b>	<b>33,942</b>	<b>299</b>	<b>27.0%</b>
Lokalni porezi	4,798	5,458	7,038	8,552	9,106	80	17.7%
Lokalne takse i naknade	2,722	4,883	5,257	5,993	13,310	117	55.8%
Lokalni prihodi od imovine	5,630	7,757	12,161	11,177	10,710	94	20.6%
Lokalni mešoviti prihodi	297	168	1,122	177	816	7	200.0%
<b>KAPITALNI PRIHODI I PRIMANJA</b>	<b>17,911</b>	<b>16,524</b>	<b>22,021</b>	<b>23,476</b>	<b>16,211</b>	<b>143</b>	<b>0.3%</b>



**Current Revenues.** The most significant sources of current revenue are shared taxes (55%), local taxes and fees (22%), and asset revenues (15%)

The highest share of current revenue comes from the PIT (personal income tax) with an average share of 38%. Local property tax with an average share of only 6% has the potential to be increased in the future. Revenue from state transfers showed a high volatility and modest annual growth of 5%, while own-source local revenue recorded an average annual growth of 27%. Until 2011, current revenue represented on average 74% of the total budget, and capital revenues and proceeds from borrowing represented 26%. In 2012, the city lost its unconditional transfer from the state because of the change in legislation governing local government financing. Also, the share of current revenues increased to 83% because the city portion of the Republic's salary tax was increased from 40% to 70%.

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<b>TEKUĆI RASHODI</b>	<b>34,651</b>	<b>39,168</b>	<b>43,502</b>	<b>46,626</b>	<b>60,008</b>	<b>529</b>	<b>15.0%</b>
Rashodi za zaposlene	7,469	8,651	9,223	10,282	11,369	100	11.1%
Rashodi za zaposlene	11,389	12,369	12,900	14,430	17,045	150	10.7%
Tekuće subvencije, dotacije i transferi	14,367	16,726	19,876	20,321	29,811	263	21.0%
Ostali tekući rashodi	1,426	1,423	1,502	1,593	1,783	16	5.8%
<b>OTPLATA DUGA</b>	<b>1,286</b>	<b>1,792</b>	<b>2,844</b>	<b>4,335</b>	<b>6,188</b>	<b>55</b>	<b>48.3%</b>
<b>KAPITALNI RASHODI</b>	<b>29,282</b>	<b>26,932</b>	<b>31,975</b>	<b>32,971</b>	<b>25,622</b>	<b>226</b>	<b>-2.1%</b>



The shares of current expenses for payroll (12%), and for goods and services (18%) were stable and accounted for 30% of total budget expenditure. Current transfers and subsidies rose from 22% to 34%, because of increased social transfers to citizens and subsidies to public companies during the recession. Capital expenditures dropped from 46% in 2008 to 29% in 2012 because of budget reallocations in favor of social transfers and subsidies to public companies.

### 4. Ratio Analysis

Kriterijum/Indikator	Reper	2008	2009	2010	2011	2012
<b>1. Kreditna sposobnost</b>						
Tekući suficit pre kamata / Tekući prihodi	> 0.3	0.39	0.30	0.28	0.27	0.23
Neto tekući suficit (nakon otplate duga) / Tekući prihodi	> 0.2	0.37	0.28	0.24	0.20	0.16
<b>2. Zaduženost</b>						
Stanje duga / Tekući suficit	< 10 god	0.5	1.0	1.7	2.6	3.0
Otplata duga / Ukupni tekući prihodi	< 10 %	1%	2%	2%	3%	7%
<b>3. Fiskalna autonomija</b>						
Sopstveni porezi i nenamenski transferi / Ukupni tekući	> 80 %	82%	72%	66%	71%	66%
<b>4. Kapitalna ulaganja</b>						
Kapitalni rashodi / Tekući prihodi	> 40 %	61%	58%	58%	55%	34%
<b>5. Nivo usluga</b>						
Troškovi održavanja / Tekući rashodi	> 30 %	8%	8%	6%	7%	6%
<b>6 Ostalo</b>						
Izdaci za zaposlene / Tekući rashodi	> 40 %	21%	22%	21%	21%	18%
Ostvareni prihodi / Planirani prihodi	> 95 %	98%	101%	93%	85%	85%
Neizmirene obaveze / Neto gotovina na kraju godine	> 1	0.3	0.6	1.0	0.4	1.8
Ukupna finansijska imovina / Ukupne finansijske obveze	1.02	1.07	1.01	1.02	1.02	0.98

- **Operating margin** decreased from 39% to 23% of current revenues.

- **The debt burden** increased significantly but is still manageable, and still below the generally accepted benchmarks.

- However, the **net margin** deteriorated and needs close monitoring.

- Ratio analysis indicates a need to increase the city's **fiscal autonomy**, with the aim of enhancing its creditworthiness and its service levels.

- Under the current way of financing **City investments, debt service expenditures** are high, because of the loans from the EIB, EBRD, and domestic commercial banks.

### 5. Financial projections / Investment programming

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

### 6. Municipal Finance Improvement Plan

The MFSA confirmed the priorities presented in the city's 2016 Strategy: (i) **Financially sustainable capital investment planning** with the aim to implement the city's strategic goals; timeframe: 2014–2015; (ii) **Asset management**; timeframe 2014–2016; (iii) **An advanced model of program**

**budgeting** with the aim to monitor the implementation of strategic goals; timeframe 2013–2015; (iv) **Internal audit**; timeframe 2013–2015; (v) **Monitoring the operational, technical and institutional practices of public utility companies**; timeframe 2013–2015; (vi) **Public-private partnerships**; timeframe 2013–2016; (vii) **Improving cooperation between the city administration and budget beneficiaries to coordinate the implementation of projects by sector**; timeframe 2013–2016. *Financing will be shared by the city budget and funds from the EU and international donors*

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