Swiss – Kosovo
Local Governance and Decentralization Support
LOGOS

Analysis and Forecasting for **Own Source Revenues** in the Municipality of

NOVOBERDE/O

This report was prepared by RECURA Financials for the LOGOS project implemented by Intercooperation

October 2010

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INTRODUCTION

This report analyzes Own Source Revenues in the Municipality of Novoberde/o and based on historical data and assumptions made based on the findings from field visits and discussions with municipal officials, the report forecasts the generation of Own Source Revenues for the period 2010-2015.

This report is part of the engagement of the financial expert from RECURA Financials, as a consultant to the Local Government and Decentralization Support project (LOGOS) supported by the Swiss Agency for Cooperation and Development, and implemented by Intercooperation.

This report should be seen as an independent outside evaluation of the municipal performance in generating OSR and in estimating the municipal potential for OSRs in the future. In making the forecasts, the consultant used historical performance, as reported in the Auditor General reports, as well as assumptions and estimates based on observations and municipal officials. A note of caution is that as all forecasts, one should be careful in interpreting them as expectations rather than guaranteed results. To achieve forecasted results there needs to be engagement first and foremost by the municipality and some support by the LOGOS project and other parties engaged with this level of governance.

The report below outlines the historical performance of the municipality in generating OSR and interprets some of the observations for the different OSR categories over the 2007-2009 period. Then, the report outlines the assumptions made in the forecasting model to conduct the forecasts for OSR generation for the period of 2010-2015. Provided that these forecasts are achieved, the report analyzes the forecasted trends and tries to interpret the causes of such forecasted performance. Finally, the report gives some indicative suggestions into areas that municipalities could be supported by the project in order to achieve the objective of increasing own source revenues generated by the municipality.

HISTORICAL PERFORMANCE

When analyzing the historical performance of the municipality of Novoberde/o, the consultants have used Auditor General reports as well as extensive consultations with relevant municipal officials. There were many issues regarding the auditor reports, which caused problems and issues regarding the accurate measurement and reporting of OSRs by the municipalities. First, the auditor reports were inconsistent regarding the classification and recording of own source revenues, including the different naming of the same types of taxes and levies. Further, mostly due to the fact that the contracted audit companies were changed over time, there are discrepancies between the auditor reports for the same municipality for the different financial years, including even in cases different historical totals being reported as compared to the original reports from the particular financial year. One major issue was the changing of economic codes, especially after the introduction of the UNIREF payment system, by which the municipalities record revenues which do not coincide with how these taxes and levies are categorized in the municipal regulations. These changes in the way municipalities record and then report OSR make it difficult to extrapolate any trends for specific categories and require further detailing and discussions with municipal officials. Furthermore, auditors use their own models to present OSRs by the municipalities, which further creates lack of clarity and disaggregation of data required for good projections.

In the case of Novoberde/o, issues have to be noted in that the municipality has changed its profile from a completely rural community to a mixed urban rural zone with a doubling of its geographical territory as a consequence of the decentralization process. Further, the political sensitivities have caused major oscillations in terms of municipal achievements in generating Own Source Revenues. With the new composition of both inhabitants and businesses situated in the municipality the types of revenues generating services and the focus of OSR categories changes, thus affecting the forecasting of the municipal performance in terms of generating OSR. The consultant has tried to take into account these factors by using available data on OSR for 2010 and basing the projections on the estimated 2010 data (estimated based on revenues collected up to the end of September 2010), as well as the assumptions regarding each specific OSR item.

A more detailed discussion of the historical performance and trends for the different categories of OSRs is presented after the historical financial reports on OSR for Novoberde/o municipality, presented in the table below:

	2007	2008	2009
Revenues from property tax	697.00	3,066.00	3,452.00
Income from businesses			
Revenues from business tax	0.00	0.00	0.00
Revenues from commercial licenses	0.00	0.00	0.00
Revenues from licenses for ads	0.00	0.00	0.00
Revenues from licenses and services	0.00	0.00	0.00
Revenues from forest exploitation licenses	0.00	0.00	0.00
The use of road infrastructure	0.00	0.00	0.00
Revwenues from stonebreakers and mines	0.00	0.00	100.00
Fees for prolonged working hours	0.00	0.00	0.00
Revenues from business licenses	0.00	0.00	80.00
Revenues from use of the municipal property			
Revenues from parking of vehicles	0.00	0.00	0.00
Revenues from the sale of Municipal property	0.00	0.00	0.00
Revenues from use of the land	0.00	0.00	0.00
Rent of municipal properties	621.00	1,231.00	420.00
Revenues from sales of services			
Revenues from inspections	0.00	0.00	0.00
Veterinary inspections	0.00	0.00	0.00
Inspection of food premises	0.00	0.00	0.00
Inspections for fire	0.00	0.00	0.00
Inspection of the environment	0.00	0.00	0.00
Revenues from geodesic plans	0.00	0.00	0.00
Activities in the field to measure the country - Dept. of Urbanization	0.00	0.00	0.00
Inspections of urban plans - Dept. of Urbanization	0.00	0.00	0.00
Revenue from building permits	0.00	0.00	830.00
Payments for the change in land usage	0.00	0.00	20.00
Issuance of construction licenses	0.00	8,450.00	1,750.00
Demolition license	0.00	0.00	0.00
Other services	0.00	0.00	0.00
Revenue from court fines, police and municipality			
Fines	0.00	0.00	0.00
Fines - Forestry	0.00	4,038.00	436.00
Court Fees	0.00	425.00	560.00
Revenues from traffic fines	1,995.00	6,410.00	7,710.00

Other			
Other payments	0.00	0.00	0.00
Other Revenues	0.00	0.00	1,313.00
Revenues from administrative tax			
Fees from the registration of vehicles	0.00	0.00	0.00
Issuance of driving licenses	0.00	0.00	0.00
Fees from traveling documents	0.00	0.00	0.00
Tender participations	0.00	0.00	2,359.00
Road tax	0.00	547.00	1,796.00
Certificate of the registrar (birth, marriage, death etc.).	0.00	0.00	136.00
Other registrar documents	0.00	0.00	2,118.00
Certification of different documents	0.00	3,428.00	951.00
Tax for request forms	3,860.00	400.00	74.00
Inharitence registration fee	0.00	0.00	0.00
Citizen Participation (health and education)			
Revenues from culture	0.00	0.00	0.00
Revenue from health services	665.00	480.00	418.00
Revenues from kindergarten	0.00	0.00	0.00
Revenues from secondary Education	0.00	292.00	0.00
Grants and donations			
Citizen participation in projects	0.00	0.00	0.00
Foreign donations	32,750.00	46,190.00	34,343.00
Kosovo donors	0.00	0.00	0.0
Total OSR Generated during the financial year	**40,588.00**	**74,957.00**	**58,866.00**
Carried forward revenues	**25,186.00**	**27,178.00**	**33,712.00**
Grand Total	**65,774.00**	**102,135.00**	**92,578.00**

Table 1. Municipality of Novoberde/o - Historical Own Source Revenue Collection 2007-2009

When analyzing historical trends of own source revenues in the municipality of Novoberde/o, one can notice the following observations for the main groups of own source revenues. As presented in the table 1, Novoberde/o municipality recorded an increase in the generation of OSR of just over 80% in 2008 when compared to 2007, whereas in 2009 OSRs generated during the year decreased by more than 21% as compared to 2008. The factors driving the decrease include decrease in donations from foreign donors and citizen participation in capital investment projects, decrease of revenues from municipal services and decrease of revenues from municipal, court and police fines.

Own Source Revenues generated during the financial year in Novoberde/o were on average at 8.5% of the total annual budget set for the municipality at the beginning of the year. This is presented in the two figures below:

Figure 1: OSR compared to total municipal budget
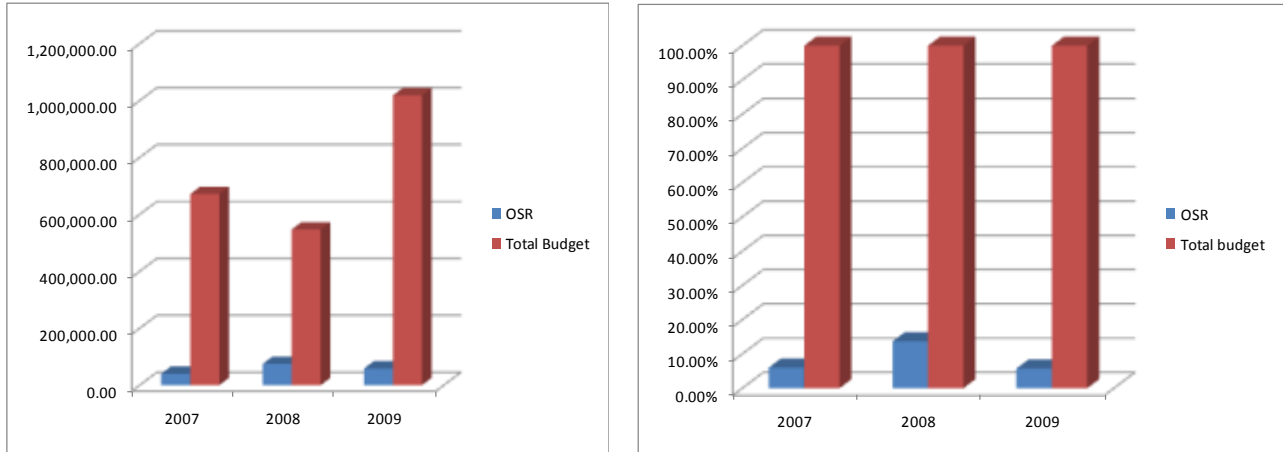
The majority of the income for this municipality has shifted over the years, reflecting the changing influence of municipal authorities and the need and requirements of the citizens of the municipality. In 2007, almost all of OSR was generated by foreign donations (81%), while administrative taxes and levies comprised of only 9% of OSR, with fines ranking in third with 5%. Property tax was only at 2% of the total OSR generated in 2007.
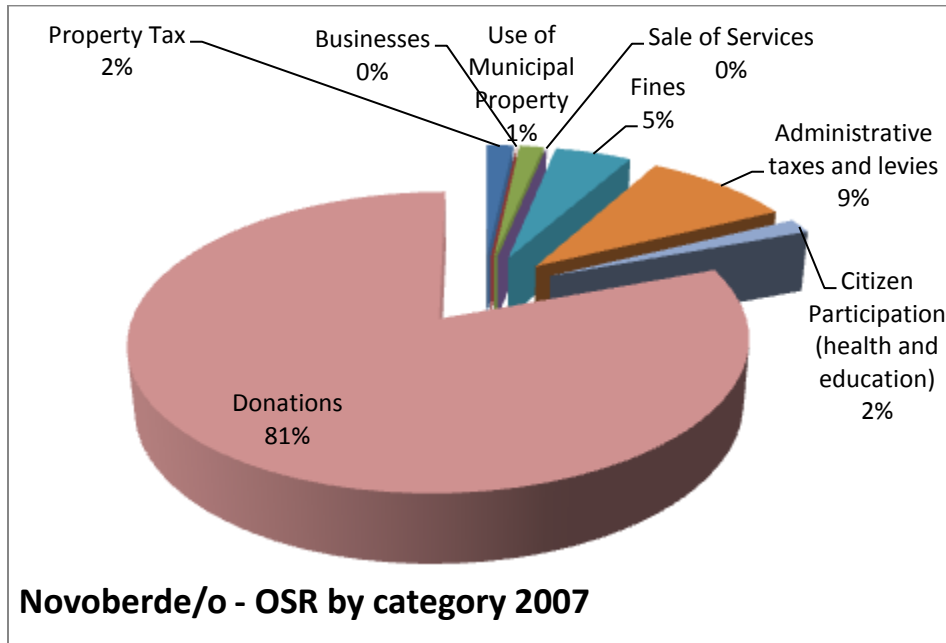

Foreign donations continue to be a major contributor to OSR in 2008 with 62%, followed by fines at 12%, a notable change with 11% from sale of services and administrative taxes and

levies at 6%. Property tax collected showed an improvement reaching the level of 4% of total generated OSR. Both in 2007 and 2008, there were almost no revenues generated from businesses, reflecting the nature of the municipal profile at the time.

Novoberde/o - OSR by category 2008
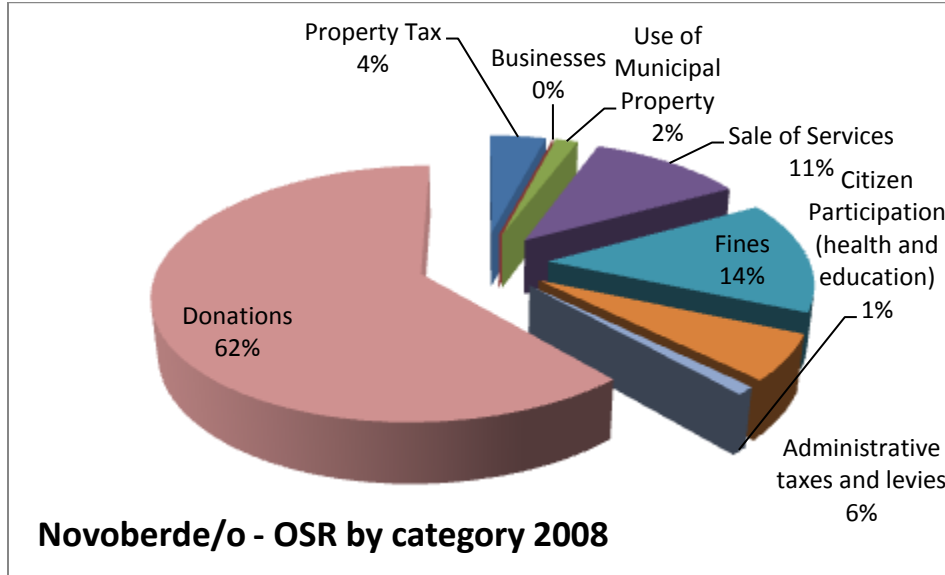
OSRs in 2009 continue to have a similar structure to 2008, with donations still contributing more than half (60%) of all generated OSR by Novoberde/o. Fines from the police and courts continue at 15% level, while administrative taxes and levies provide 13% and change places with municipal services, which now decline to 4% of generated OSRs. Again, revenue from businesses remains at an insignificant level. Property tax collection continues to grow and now provides for 6% of OSRs generated during 2009.

Novoberde/o - OSR by category 2009
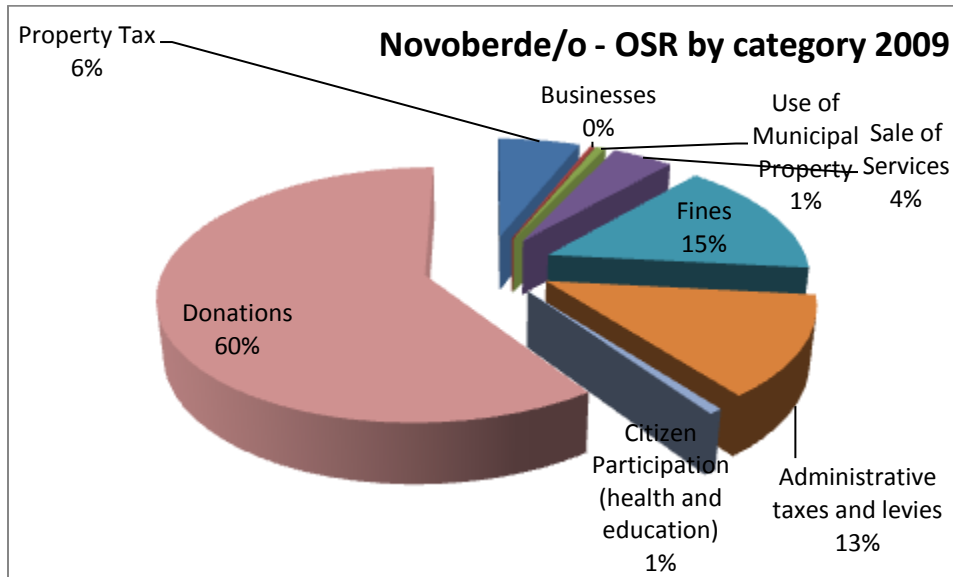
In general, there are almost no internally generated OSRs by municipal structures, which reflects both the nature of the municipality, the political situation in terms of ethnic relations and inefficiencies by municipal authorities to impose and enforce their regulations and authority. The relatively large donations, when compared to the total generated OSRs, come as a consequence of foreign donors trying to support an ethnically mixed municipality in development and integration.

Property tax contributions to OSR continue to grow, but if managed properly have a much larger potential. The municipality of Novoberde/o faces the similar issues with other municipalities when it comes to managing property tax, with the database not updated regularly as required by law, causing problems with billing and collection. This problem may only be more emphasized with the increased territory of the municipality.

Revenues from businesses remain insignificant throughout the analyzed period, reflecting the very small number of registered businesses operating at the time in the municipality and the nature of these businesses. The municipality at the time was not keen to overburden very small and struggling businesses and has not levied business taxes on them. Having in mind the enlarged territory and the possible reactivization of the Novoberde/o mines, this situation could drastically change.

Revenues from use of municipal property are at a very low level oscilating between 1-2% of generated OSR, and reflecting the lack of revenue generating municipal property.

Revenues from sale of municipal services play a more important role, contributing with 11% and 4% respectively in 2008 and 2009. This again reflects the nature of the municipality and the perceived lack of economic development and perspective in the municipality, and also reflecting the ethnic problems and issues in Novoberde/o.

Municipal, court and traffic police fines are the second largest contributor to OSR, contributing with 14% and 15% in 2008 and 2009. This figure is now expected to change as the territory of the municipality has increased and covers more frequented regional roads in Kosovo.

Administration fees, levies and taxes also make up an important contributor to OSR, contributing 9%, 6% and 13% of total generated OSR. The fluctuations over the years reflect the changing demand for municipality issued documents due to the changing political situation and sensitivities.

PROJECTIONS OF OWN SOURCE REVENUES FOR THE MUNICIPALITY OF NOVOBERDE/O

In order to perform projections for Own Source Revenue generation, the consultant faced difficulties in establishing a base for the assumptions and forecasts as data provided is not disaggregated. Although the municipalities set the levels for taxes, levies and charges in the municipality and the municipal regulations on average specify about 600 different items considered as OSR, data is not collected on each individual item and revenues are recorded based on larger categories. Further, due to changes in economic codes used over the years, certain revenues are recorded under different items in different years creating problems of comparison. In terms of property tax, the municipalities since 2008 have only their forecast budgets and general data on the amounts collected, however they have no access to the total property tax bill invoiced for the municipality as this is done centrally in the Ministry of Economy and Finance by the Department for Property Tax. Municipalities do not have access to the system the Property Tax department uses at MEF. Thus, it is very difficult to assess the amount that could be potentially collected. Further, most of the municipalities do not update the property database as required (1/3 every year) and this is a major problem in establishing the true tax base on property. However, this may change in 2010 as there are indications that a Swedish supported project will help the municipalities in conducting a complete registering of properties within their boundaries.

As municipalities report aggregate revenues in terms of categories or sub-categories, and due to lack of data base line establishing the true tax base, one cannot use the units and price per unit of the specific items of OSR in conducting forecasts. Thus, to conduct the forecasts, the consultant has consulted widely municipal officials in terms of getting as accurate as possible picture of historical performance and the reasons for the larger oscillations over the years. Discussions with the relevant municipal officials in charge of collecting the respective revenues were held in order to get their input into potential future trends. Forecasts are mostly done based on two factors, increased collection rates assumptions and natural growth assumptions. In cases where a historical trend could not be established due to fluctuations in revenues, outlier years are excluded or averages are taken. As the municipality of Novoberde/o has not been applying many of the potential taxes and levies and also as the territory and nature of the taxpayers at the municipality has changed drastically, there are many areas where the project could support the municipality in increasing their OSR.

Following are descriptions of assumptions takes for specific categories and sub-categories of OSR and the estimated potential of the municipality to raise own source revenues over the period 2010-2015. Year 2010 for Novoberde/o is forecast based on collections up to September 2010, as the municipality has truly started to apply its authority in the nex increased territory covering more inhabitants and businesses.

Forecasting Assumptions

The consultant has taken the following assumptions when estimating the own source revenues for the period 2010-2015:

Property tax:

As disaggregated data for the different urban zones was not available, and as the consultant was not able to get the exact data from the Ministry of Economy and Finance on the total bill of property tax invoiced over the years for the municipality, and further with the increased municipal territory the municipality has no clear picture in terms of properties they have attained through the decentralization process, assumptions were made based on collections up to September 2010 (based on the enlarged territory) and were taken in terms of improved collection rates and natural growth. The improvements in collection were assumed to be at 2.5% compared to the previous years over the period 2010 – 2014, and then 1% in 2015 onwards. Natural growth rate for new taxable properties was estimated based on the 3/4 of collections in 2010 and an assumption of a 50% increase in 2011 and a 30% increase in 2012, as a consequence of the increased territory covered by the municipality, moving down to a more natural growth rate of 0.5% in 2013, 0.6% in 2014 and 2015.

Business Taxes and Levies:

In terms of the revenues from the **annual business tax**, assumptions were made on improved collection and natural growth. The municipality has not collected any direct annual business tax so far, but the assumptions is that from 2011 Novoberde/o will start collecting revenues from business it got, especially from the former territories of the municipality of Gjilan. The starting base assumed for this tax starting from 2011 is 5,000 Euro. Improved collection was assumed at 7% for 2012 compared to the assumed baseline in 2011, 6% in 2013, then a drop to 5% in 2014 due to that year being a municipal election year, then an increase of 5% in 2015. Natural growth of businesses was assumed based on a very conservative estimate of growth of the economy in Kosovo. Thus growth rates assumed were the following: 2% for 2010-2011, 3% in 2012, 4% in 2013, 5% in 2014 and 6% in 2015. This reflects the slower pace of the trickle-down effect of the economic growth in Kosovo to the municipal businesses. Minor revenues from stone breakers and other commercial licenses will continue to grow under the same assumptions.

Revenues from usage of municipal property:

Revenues coming from **leasing of municipal assets (space)** were assumed to initially double due to increased municipal assets as a consequence. Then, as a consequence of improved utilization growth was assumed to be 2% in 2010, 4% in 2011, 5% in 2012, 6% in 2013 and 6% in 2014, and 7% in 2015.

There are no other assumed revenues from municipal assets.

Revenues from sale of municipal services:

Revenues from issuing **Urban Permits** were assumed to grow due to increased territory, improved collection and natural growth. The assumption regarding increased territory is that the baseline in 2010 will double (conservative assumption) and then the revenues will increase due to improved collection assumed at 2.5% over the 2010-2014 period, going down to 1% growth for 2015 onwards. The natural growth assumed was the same as for the new registered properties.

Revenues from requests for **Construction Permits** were assumed to grow in parallel with those from Urban permits, so double the amount in 2010 and then the same assumptions for growth as for urban permits were used.

Revenues from **field inspections and measurements by the urbanism department** was assumed to increase under the same pace as those for urban permits and construction licenses. These assumptions reflect the growth of the territory and improved efficiency of the municipal authorities.

Fees for change of land destination were assumed to grow under the same assumptions as the building and construction permits presented above.

Revenues from court, police and municipal fines:

Forestry fines were assumed to grow due to better enforcement, targeting and economic growth. This is a good potential source, especially with the increased territory. The baseline for the projections was assumed to be the collection rate in 2008, as the most successful year in the 2007-2009 period. Assumed growth due to enforcement was 5% in 2010-2011, 4% in 2012, 3% in 2013-2014, and 2% after 2015. Growth due to the growth of the municipal economy is assumed to be 2% for 2010-2011, 3% for 2012, 4% for 2014, 5% for 2014 and 6% for 2015.

Court and Traffic fines were assumed to grow both as a consequence of the increase municipal territory to which the baseline was taken double the amount collected in 2009 and at the same time as reflecting the growth of the municipal economy with growth rates being 2% for 2010-2011, 3% for 2012, 4% for 2014, 5% for 2014 and 6% for 2015.

Other revenues

As other revenues were collected historically only in 2009, and there were no revenues under this category in 2010 (by September 2010), then we assume that these revenues will not continue and that these were either a one off event or an issue of economic code used to register these revenues in 2009.

Revenues from Administration Taxes and Levies:

As a basis for forecasting **Vehicle registration tax** revenues the estimated revenues for 2010 (based on revenues up to September 2010) were taken as a basis for further forecasting. Then a growth of 6% in 2011, going down to 4% for 2012-2013, increasing again to 5% for 2014 and 7% for 2015. This growth was assumed to come from increased number of registered vehicles and also increased tax amount for the future years.

When forecasting revenues from **tender participation**, we have taken the estimated revenues in 2010 based on collections up to September as the baseline figure and then assumed a growth due to increased transparency in the municipality and the effects of increased municipal budgets due to economic growth in Kosovo. As a result, we have assumed a growth of 3% in 2011, 5% in 2012, 6% in 2013, 7% in 2014, 8% in 2015 onwards.

Road tax revenues were assumed to grow at the same pace as vehicle registration tax, thus the same assumptions were applied, so 7% in 2010, 6% in 2011, going down to 4% for 2012-2013, increasing again to 5% for 2014 and 7% for 2015.. The baseline for this revenue was taken to be the figure collected in 2009.

Revenues from issuing **other certificates** were calculated using the same baseline and assumptions as those for the road tax.

Revenues from **verification of documents** were assumed to grow using the same assumptions as for the road tax and other certificates.

Revenues from **birth, marriage and death certificates** were assumed to grow with population increase. The baseline was taken to be the estimated figure for 2010, based on collections up to September. Having in mind the young population and the larger need for such documentation by this category of citizens we have then assumed a growth rate of 5% for 2011-2012, 4% for 2013, 3% for 2014 and 2% in 2015 and onwards.

Citizen participation in health and education:

Revenues from **health services participation,** were assumed to grow due to population increase, with assumed growth rates being the same as those for birth, marriage and other certificates above. The baseline for the growth was taken from the collected revenues in 2009.

Grants and donations:

The consultants have not made any assumptions regarding forecasted income from foreign and Kosovan donations nor citizens participation in capital investment projects. This is because it is difficult to

estimate the number or size of future donor support in the municipality. In terms of citizens' participation in capital investment projects, the low population size, coupled with the ethnic background and the difficult economist situation, were indications that the policy of asking for citizen's participation will not be applied in the municipality. However, this category historically was a large contributor to OSR in the municipality of Novoberde/o, exclusively focused on foreign donations, and as such assistance could be provided to the municipality in terms of identifying potential donors and support programmes, and then supporting the municipality in getting access to this type of support.

Forecasted Own Source Revenues – Municipality of Novoberde/o

	OWN SOURCE REVENUE TYPE	2007	2008	2009	F 2010	F 2011	F 2012	F 2013	F 2014	F 2015
1	PROPERTY TAX	697.00	3,066.00	3,452.00	8,386.01	12,788.67	16,944.99	17,453.34	17,994.39	18,282.30
2	BUSINESS TAXES AND LEVIES	0.00	0.00	180.00	100.00	5,102.00	5,605.06	6,159.26	6,769.73	7,508.66
3	REVENUES FROM USAGE OF MUNICIPAL PROPERTY	621.00	1,231.00	420.00	420.00	840.00	882.00	934.92	991.02	6,060.39
4	REVENUES FROM THE SALE OF SERVICES	0.00	8,450.00	2,600.00	8,644.48	8,882.62	9,129.43	9,390.87	9,667.81	9,813.88
5	REVENUES FROM COURT, POLICE AND MUNICIPAL FINES	1,995.00	10,873.00	8,706.00	21,191.46	21,831.32	22,671.19	23,726.44	25,071.55	26,690.17
6	OTHER REVENUES	0.00	0.00	1,313.00	0.00	0.00	0.00	0.00	0.00	0.00
7	REVENUE FROM ADMINISTRATION TAXES AND LEVIES	3,860.00	4,375.00	7,434.00	18,525.43	19,406.58	20,290.59	21,239.08	22,353.12	23,756.01
8	CITIZEN PARTICIPATION (HEALTH AND EDUCATION)	665.00	772.00	418.00	438.90	460.85	483.89	503.24	518.34	528.71
9	GRANTS AND DONATIONS	32,750.00	46,190.00	34,343.00	0.00	0.00	0.00	0.00	0.00	0.00
	T O T A L :	40,588.00	74,957.00	58,866.00	57,706.28	69,312.03	76,007.14	79,407.14	83,365.95	92,640.11
	Year on year percentage change in generated OSR									
	Carried Forward	25,186.00	27,178.00	33,712.00	40,674.00	34,822.22	41,825.59	45,865.67	47,917.37	50,306.27
	GRAND TOTAL AVAILABLE TO MUNICIPALITY	65,774.00	102,135.00	92,578.00	98,380.26	104,134.46	117,832.82	125,272.86	131,283.37	142,946.49

As can be seen from the forecasted Own Source Revenues table, OSR for the municipality of Novobede/o go up to 92,640.11 Euro at the end of 2015. There is clearly a positive trend when looking at the overall OSRs. As compared to the previous year, OSRs increase in all years except for 2010, and these figures exclude any revenues from donors (which were a large contributor during 2007-2009) as shown in the table below.

Municipality of Novoberde/o – Historical and Forecasted Year to Year OSR in percentage change
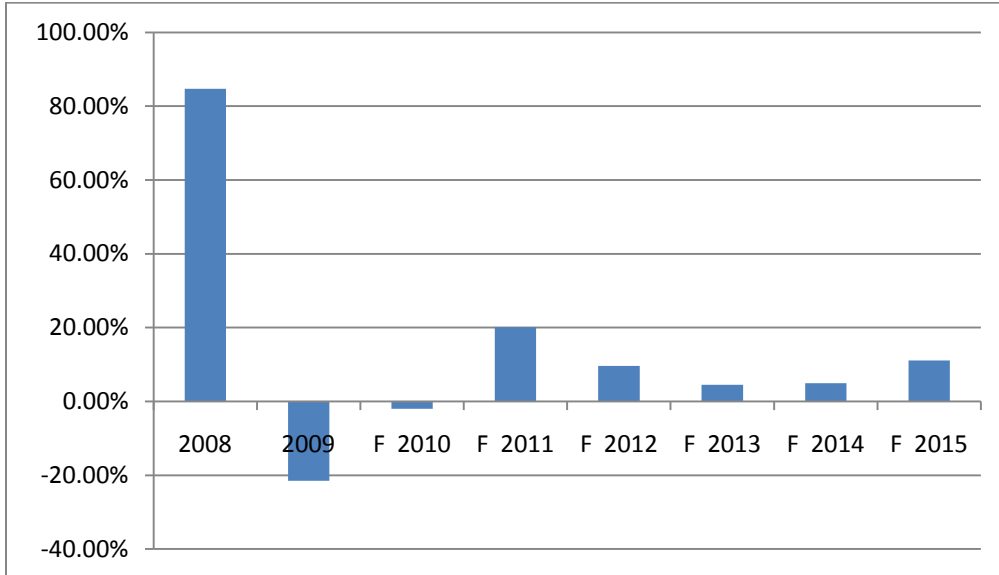
Although year 2008 was a high point, the main driver there were grants and donations, which if included at that level in the forecasted years would provide a much higher level of total OSRs. However, when taking the assumption that there will be no grants in the coming years, the municipality according to the forecasts can achieve to generate up to 57.4% more annually compared to OSR generated in 2009. This can be achieved through better management and utilization of municipal resources and services, as well as through more efficient oversight, inspections and enforcement. This figure can be even higher if the municipality starts to generate revenues from sources it has not collected in the past.

The graph below shows historical and projected OSRs up to 2015:
Municipality of Novoberde/o – Historical and Forecasted Own Source Revenues
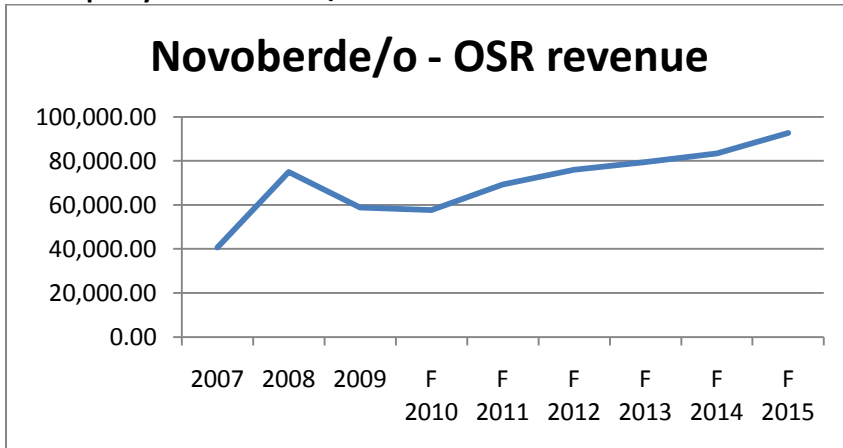
The table below presents the participation of each OSR category in the total forecasted OSRs for the Municipality of Novoberde/o:
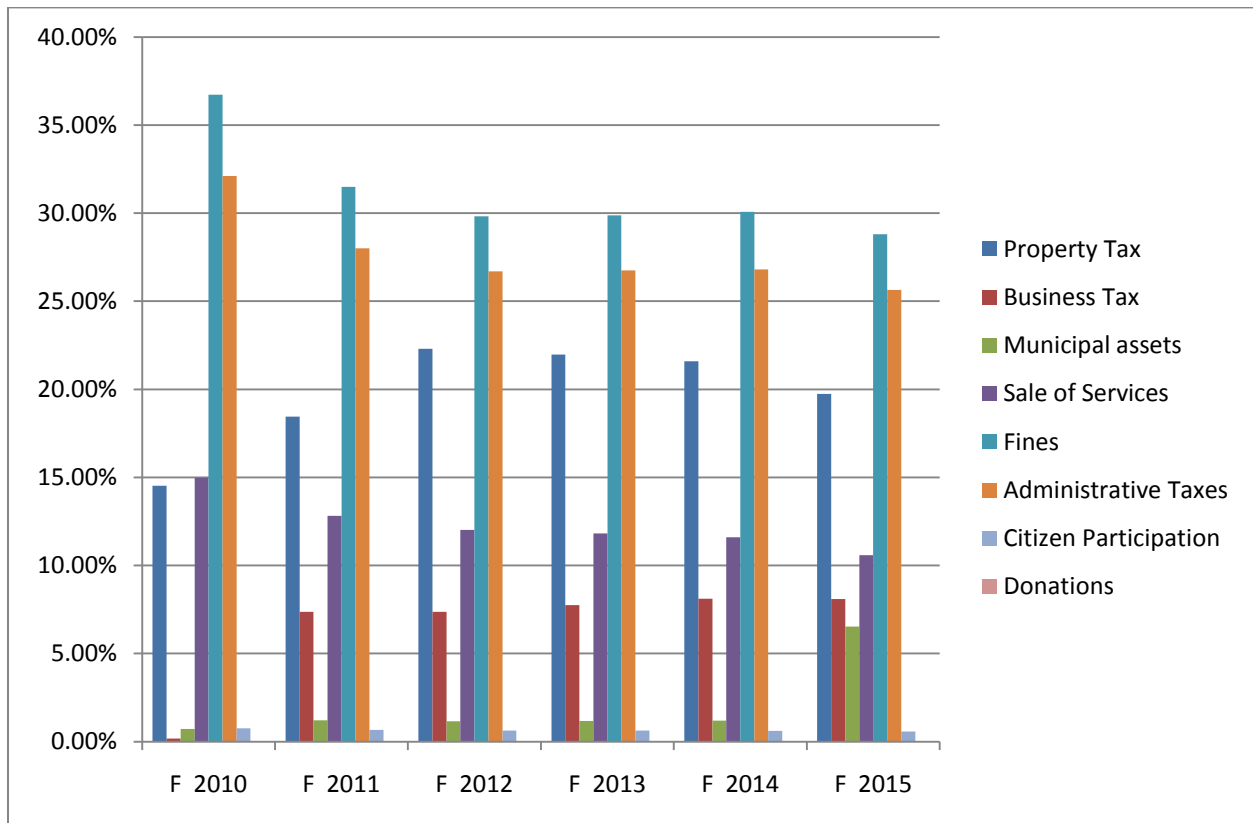

As can be seen from the chart above, the main drivers of OSR over the coming period remain to be the Fines issued by the courts, traffic police and the municipality, Administrative Fees, Property Tax and Municipal Services, which are a marked difference from the average municipality, reflecting the specific nature of the municipality of Novoberde/o. These are the areas where municipalities should try to achieve increases in terms of OSR through increased efficiency in their financial management and enforcement.

The growth of each category of OSRs forecasted is as presented in the charts below:

**Novoberde/o - Property Tax Revenues**
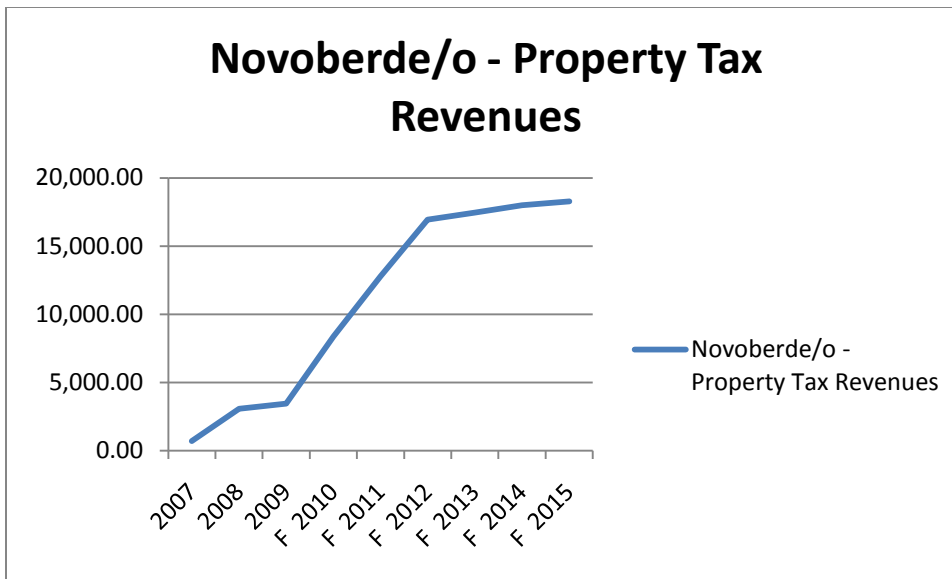
Revenues from Property tax increase due to increased territory, improved registering, database management, improved invoicing and better enforcement. Revenues from this tax will also increase due to natural growth of the municipality as well as growth of the economy.

**Novoberde/o - Business tax Revenues**
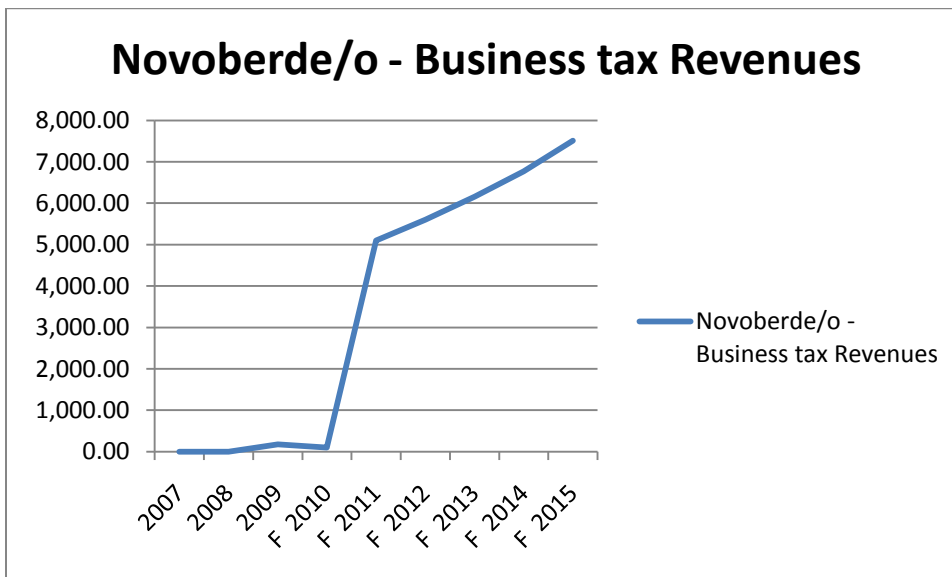
Business taxes have a high growth potential due to the increased territory, especially the territory gained from the municipality of Gjilan, which boasts a large number of successful businesses. Further, the growth of the economy, better registering and servicing of businesses and improved enforcement are additional factors in this increase. Forecasted growth by 2015 is just above 40 times compared to 2009. However, reflecting the nature of the municipality, business tax does not contribute a lot on average to OSR generated by the municipality.

**Novoberde/o - Revenues frm usage of Municipal Property**
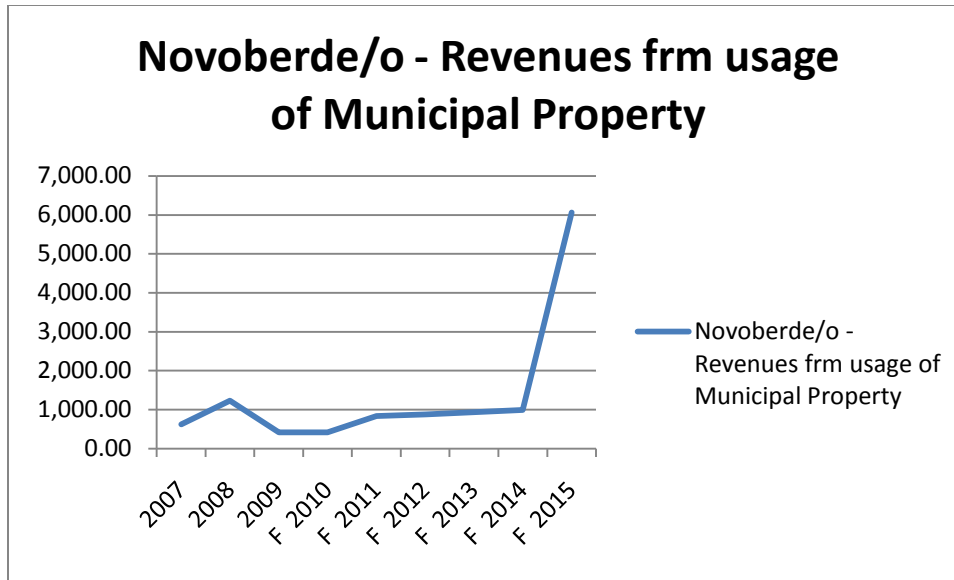
Revenues from use of municipal property do not make up a large percentage of total OSR, however, by improved management of municipal assets, the increase in revenues from this category can be more than 13 times compared to 2009, and by then comprise about 6.54% of total OSR.

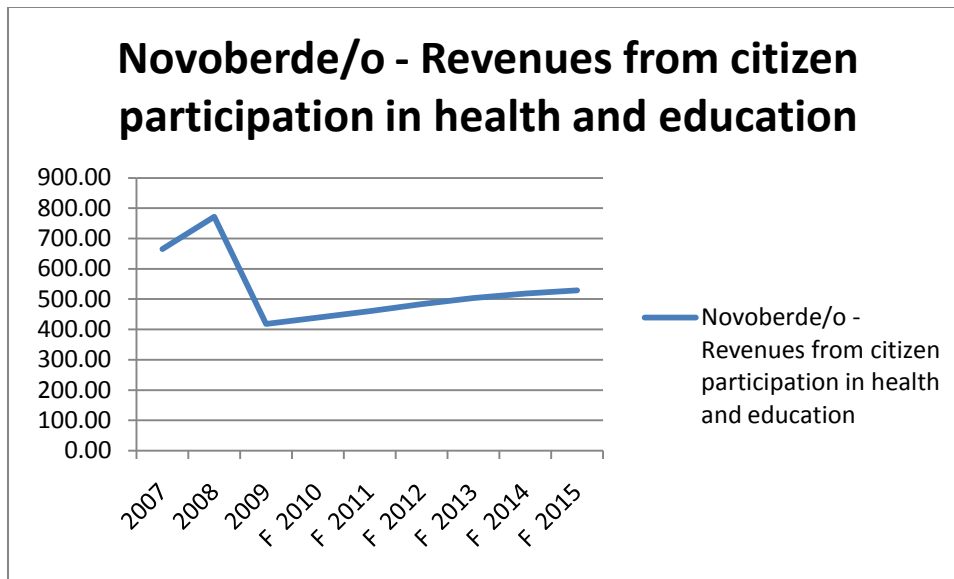**Novoberde/o - Revenues from sale of municipal services**
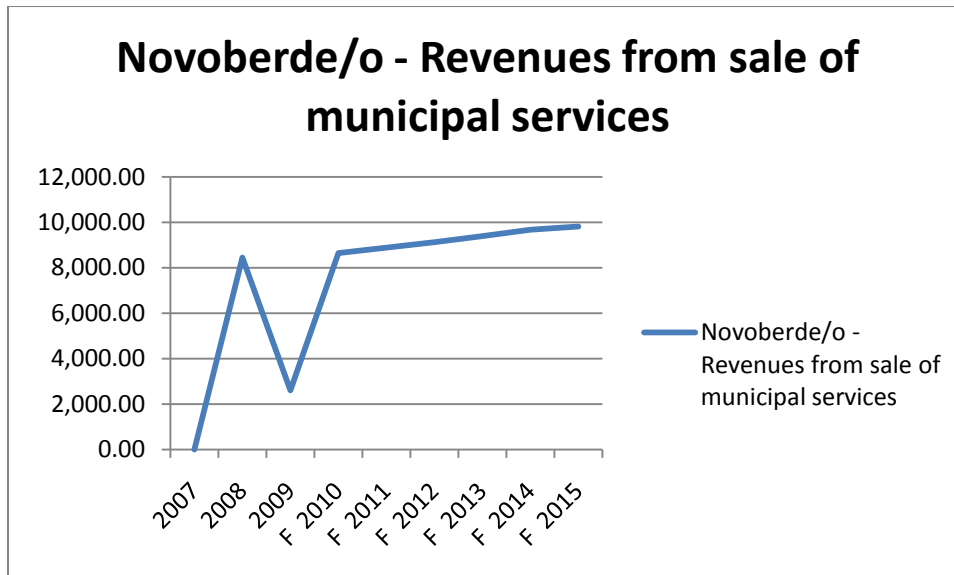
Revenues from sale of municipal services are an important contributor to OSR in the municipality, comprising on average 12.3% of forecasted revenues. Forecasts are that if there is increase efficiency and better provision of municipal services, the municipality of Novoberde/o can achieve am almost 3 times increase in generating income from provision of municipal services.

Novoberde/o- Revenues from Police, Court and Municipal Fines
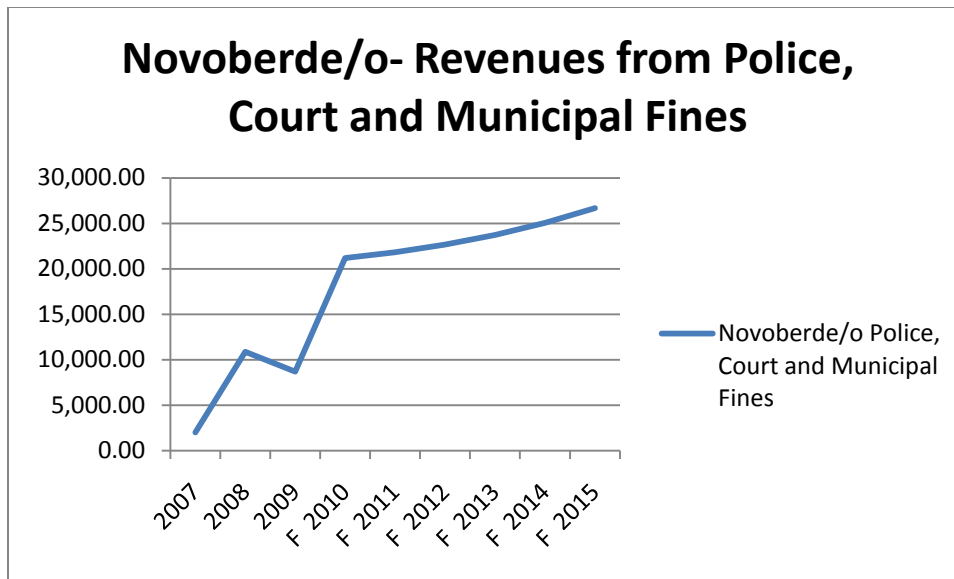
Revenues from fines issued by especially by the courts, police and the municipality, are and continue to be a large contributor to municipal OSR. This is especially due to the fact that the territory of the municipality has doubled due to decentralization. This category contributes on average 31.14% to revenues generated by the municipality in the years up to 2015. Municipality should try to increase the participation in these fees by increasing the contribution to this category coming from municipal fines through improving the efficiency of its municipal inspection services.

Novoberde/o - Administration Taxes, Fees and Levies
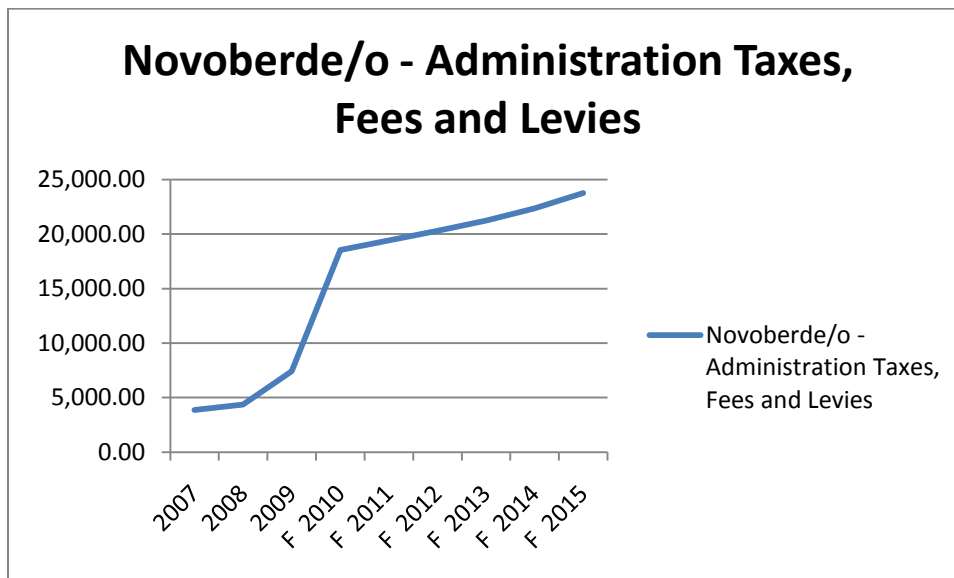
Administration fees, levies and taxes are expected to contribute on average 27.67% to the OSRs generated by the municipality and remain one of the largest contributors. The increase in revenues generated from this category will result in an increase of almost 2.2 times in revenues generated in 2015 compared to 2009.

Novoberde/o - Revenues from citizen participation in health and education

Novoberde/o - Revenues from citizen participation in health and education

Forecasted revenues coming from citizen's participation in education and health payments contribute on average less than 1% of OSRs generated during the period 2010 – 2015 and this category does not play a significant role in any of the forecasted years for the municipality of Novoberde/o.

POTENTIAL AREAS FOR INTERVENTION AND SUPPORT

Potential areas for LOGOS project support to the municipality of Novoberde/o in increasing the level of generated Own Source Revenues should focus on OSR categories that can be affected by first and foremost introducing taxes and levies not utilized so far by the municipality, actions of municipal authorities and where there can be clear benefits in improving municipal performance.

Property tax, being one of the biggest contributors, is an area that one should look at supporting. The project can support the municipality by helping prepare and publishing municipal publications, and support outreach initiatives in order to present achieved results in property tax collection and promote the effect of improved collection in the everyday lives of inhabitants of respective zones.

The municipality can also be supported in terms of generating revenues from businesses. This can be done in two directions. One is to help them improve business registering and classification and as a result produce better taxing policies for businesses. Also, the project could try to improve the links between the municipalities and the Ministry of Trade and industry in sharing information on registered businesses and their current functioning. Policies of conditioning municipal services to businesses that have due and unpaid taxes and levies, could be another approach.
Further, the municipality of Novoberde/o currently does not collect any revenues from basic annual business tax, licenses and taxes for forest use, taxes on advertisement space, etc. One recommendation is that the municipality starts applying the set fees in the municipal regulation and enforces them on an equal basis on all the businesses and providers. The municipality can also be supported in introducing and requiring licenses for working longer hours, service business licenses, etc.

Municipality of Novoberde/o does not have any major assets it can lease out or sell, and this is an area with very little potential for furthering revenues properly.

The increased territory and the inclusion of well established. This will help the municipality to increase revenues coming from building and construction permits, as well as other related services, through stimulating new construction activity and legalizing existing unregistered and unlicensed properties. The municipality should be supported in introducing other services that generate direct revenues for the municipality. These may include the establishment and enforcement of inspection services, including those for food premises, fire issues, and environment. Fees for change of land destination also play an important role, but one should look at other areas, such as deconstruction/demolition of buildings, field urbanism measurements, or veterinary inspections.

Revenue from administration taxes and levies could also further increase if one introduced and also enforces requirements from driving licenses stress test.

The project could also provide support to the municipality in identifying potential donors and areas that could benefit from grants and other forms of donor support. This support could further include assistance and training in project planning, proposal writing, fundraising and monitoring and evaluation techniques. This would enable the municipality to tap into available and potential grants thus helping it increase available own source revenues.

These proposed areas of LOGOS project support should be discussed with municipal officials and areas were the support could be most optimal should be selected in cooperation with the municipality.

This report is prepared with information covering financial performance up to the financial year 2009. The consultant suggests that this analysis be updated on a regular annual basis during the LOGOS project life and the model and its findings fine tuned as new and more detailed information becomes available.

ANNEX 1 – OWN SOURCE REVENUES 2007-2009 AND OSR FORECASTS 2010-2015 (EXCEL DOCUMENT)