



European Union

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# Summary of the Survey Results

*Adnan Muminovic, economic advisor to the EUSR*

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# About the Survey

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Between February and May, a Survey was conducted in all local governments across BiH and ten cantons.

- In total, **111 cities and municipalities** took part in the **survey**, as well as 6 cantons.
- The response rate was **73 percent for the FBiH** and **83 percent for the RS**.
- The results of the whole Survey will be published on the website of the EU Delegation to BiH [www.europa.ba](http://www.europa.ba).
- Overall, it provides a strong mandate for change.

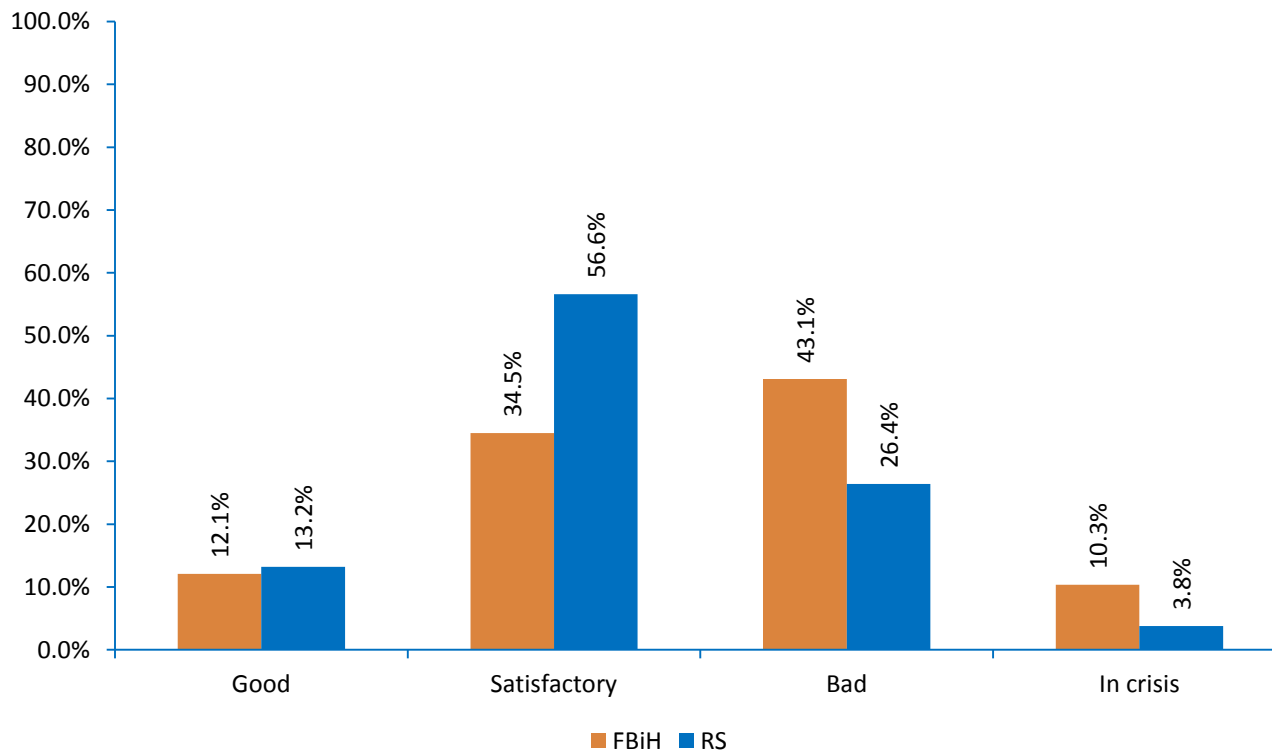
# General Situation and Main Problems

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- Satisfaction with the current state of local government is **greater in the RS than in the FBiH**.
- **In the FBiH, 53 percent** consider the state of local government to be **either bad, or in crisis**.
- **In the RS, one third of municipalities** find the situation to be bad, or in crisis.
- The Survey further revealed **conflicting interpretations** concerning the state of local governments between the cantons and municipalities. Less than 20 percent of cantons find that that the current state is bad – none said it is in crisis.

# General Situation and Main Problems

The current state of the local government in Bosnia and Herzegovina is:

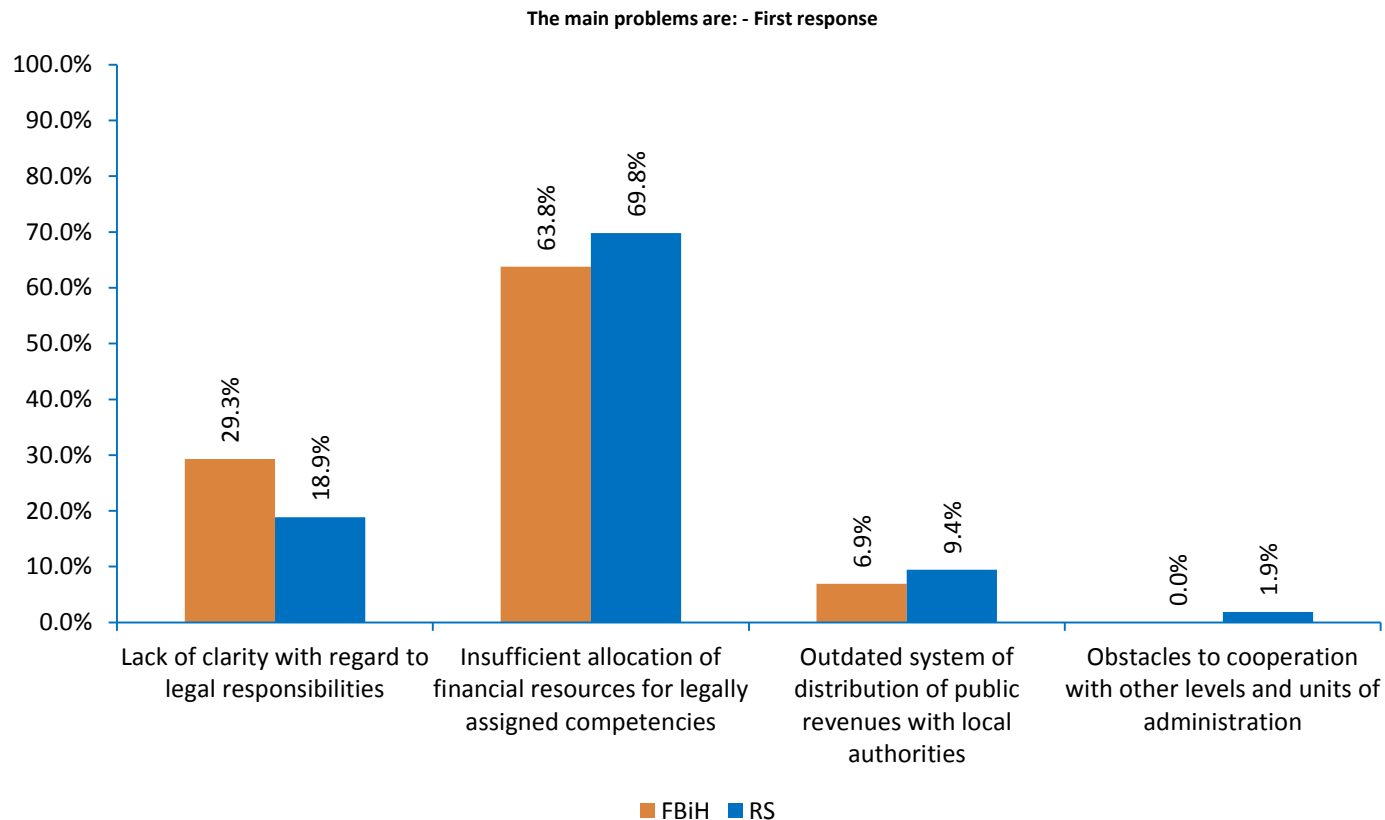


# General Situation and Main Problems

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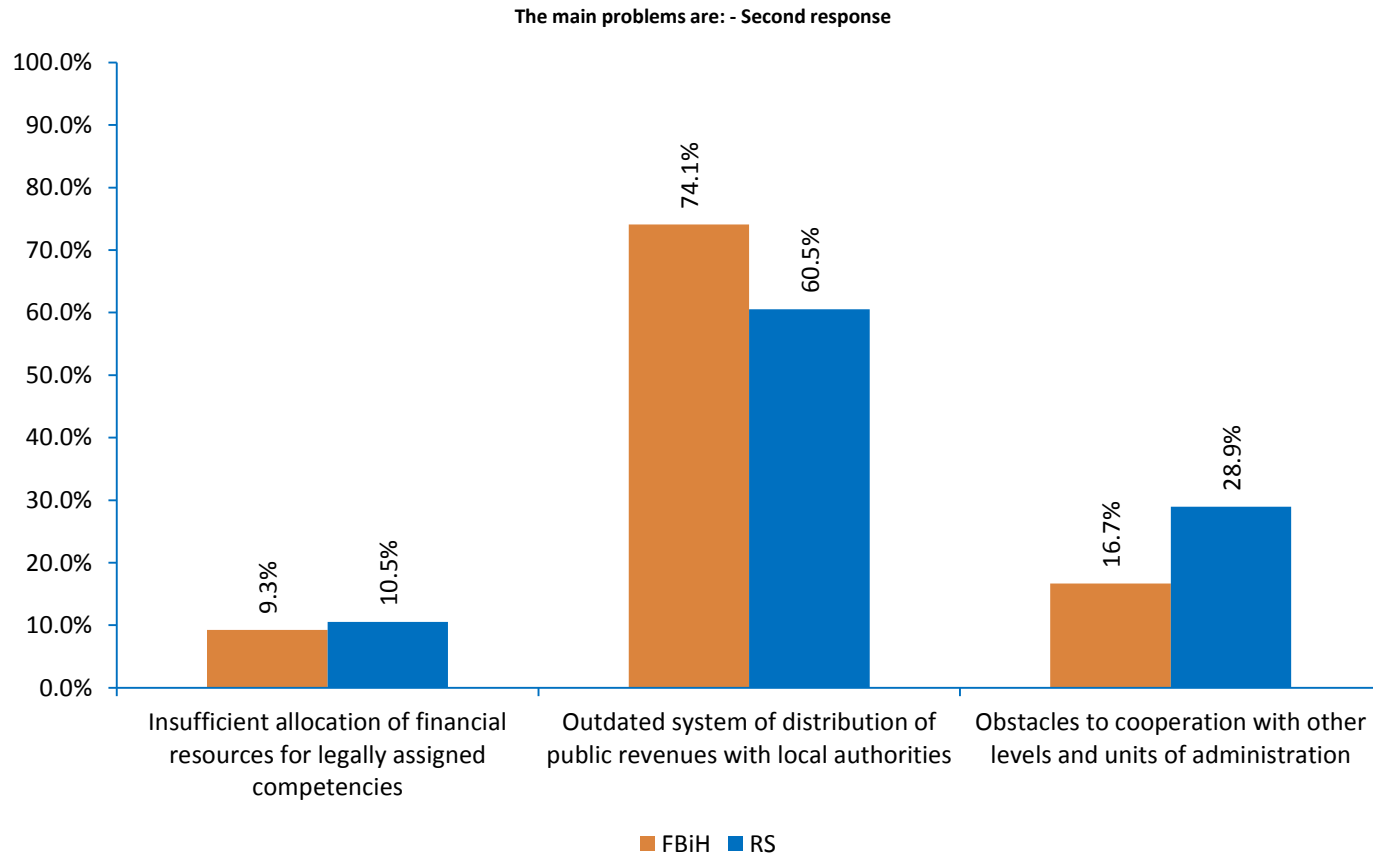
- The **main problems are the same** in both entities:
  - Insufficient financing for legally assigned duties and
  - A system of revenue allocation that is perceived as outdated.
- Due to unclear roles and responsibilities, cities and municipalities end up filling expenditure gaps of higher levels.
- For almost one third of local governments in both entities, spending on these gaps makes up **3 percent of total spending, while for one fifth it even amounts to 10 percent.**

# General Situation and Main Problems





# General Situation and Main Problems



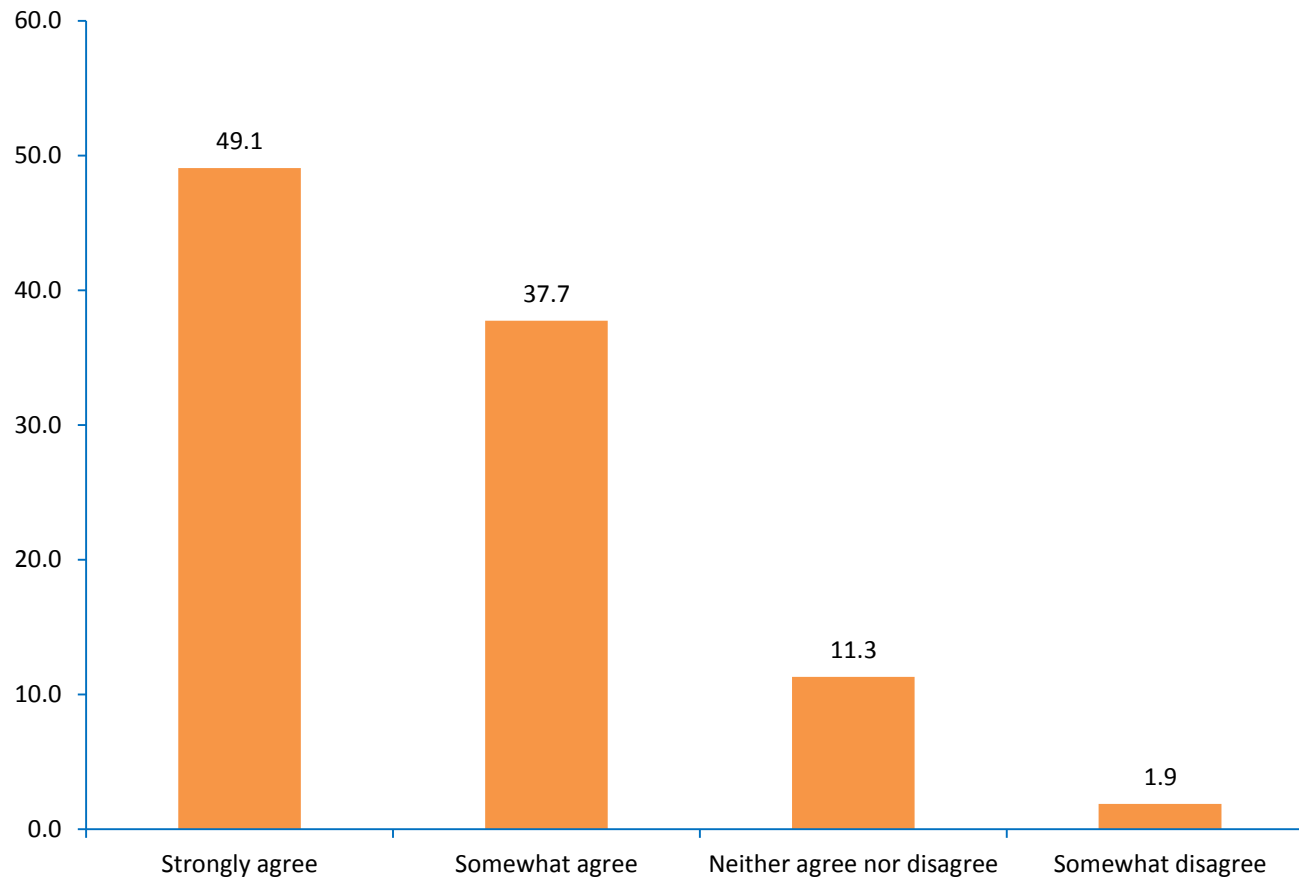
# General Situation and Main Problems

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- In the RS, there is **widespread support for** abandoning the current 'monotype concept' – where all local governments have the same competences – and adopting **a 'multitype' concept** as outlined in the RS Development Strategy of Local Self-Governments 2017-2021.

# General Situation and Main Problems

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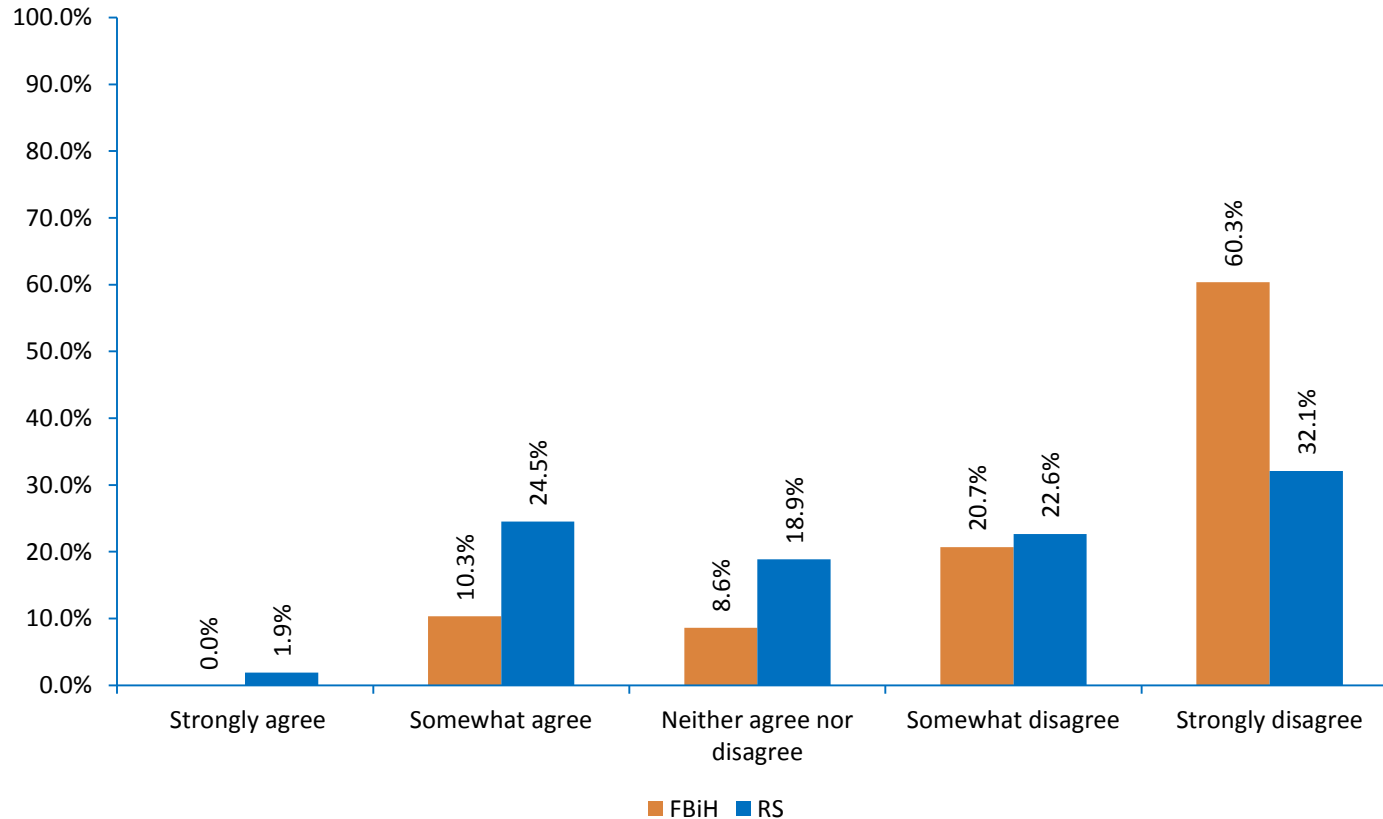
# Financing and Interaction Between the Different Levels

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- The **vertical allocation** between local governments and higher levels is **a greater cause of concern** than the horizontal allocation across cities and municipalities.
- There is much **greater dissatisfaction with both systems in the FBiH than in the RS.**
- **In the FBiH, 81 percent** of cities and municipalities **think the vertical allocation is unfair. In the RS, 55 percent** are of the same opinion.

# Financing and Interaction Between the Different Levels

Vertical distribution of revenues between different levels of government is just.

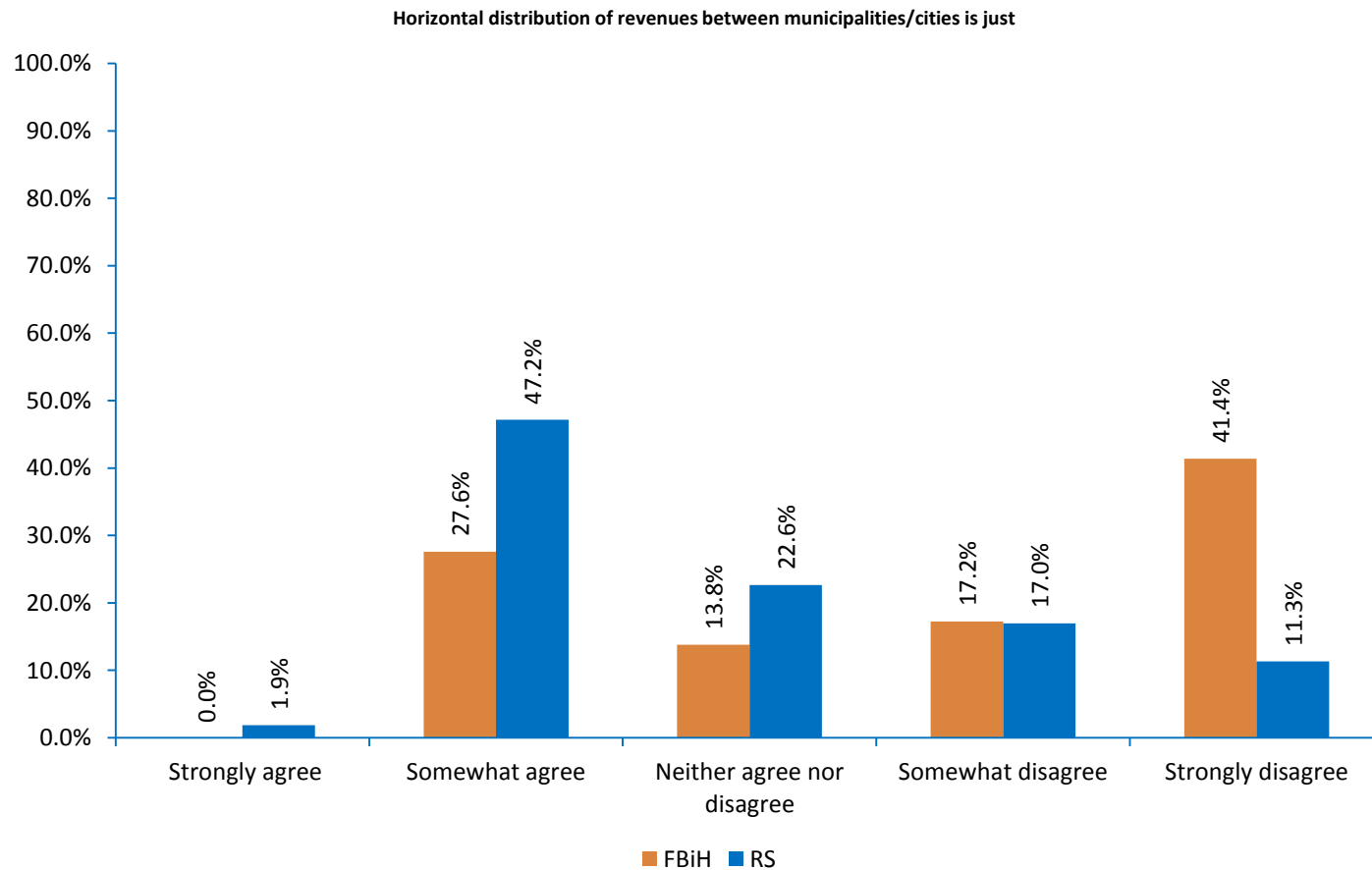


# Financing and Interaction Between the Different Levels

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- Around **60 percent in the FBiH and 30 percent in the RS** think the **horizontal allocation is unfair**.
- **Eight out of ten local governments in the RS endorse the current system** whereby underdeveloped municipalities receive a larger share of tax revenues.
- A majority of **cantons agree** that the current system of distribution of indirect tax revenues is non-transparent, subject to political manipulations and **that the special coefficients should be abolished** and replaced by special grants of the FBiH Government.

# Financing and Interaction Between the Different Levels



# Financing and Interaction Between the Different Levels

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- Around two thirds of cities and municipalities across BiH would significantly redistribute their spending if it were possible.
- **Political interference in spending decisions is reported as a serious problem in the FBiH**, while this issue is not a cause of concern in the RS.
- **Eight out of ten local governments** in both entities agree that the **reduction of parafiscal fees** would be useful for attracting greater investment.



# Financing and Interaction Between the Different Levels

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- **Three out of four local governments in the FBiH believe** that the introduction of a **property tax is feasible over the next 3 to 5 years** and that it would be an efficient way to collect their own revenues.
- **In the RS, 7 out of 10 local governments** deem that they **are ready to take over the administration of property tax** collection, and a majority of them believe that it would lead to an increase in tax collection of at least 20 percent.

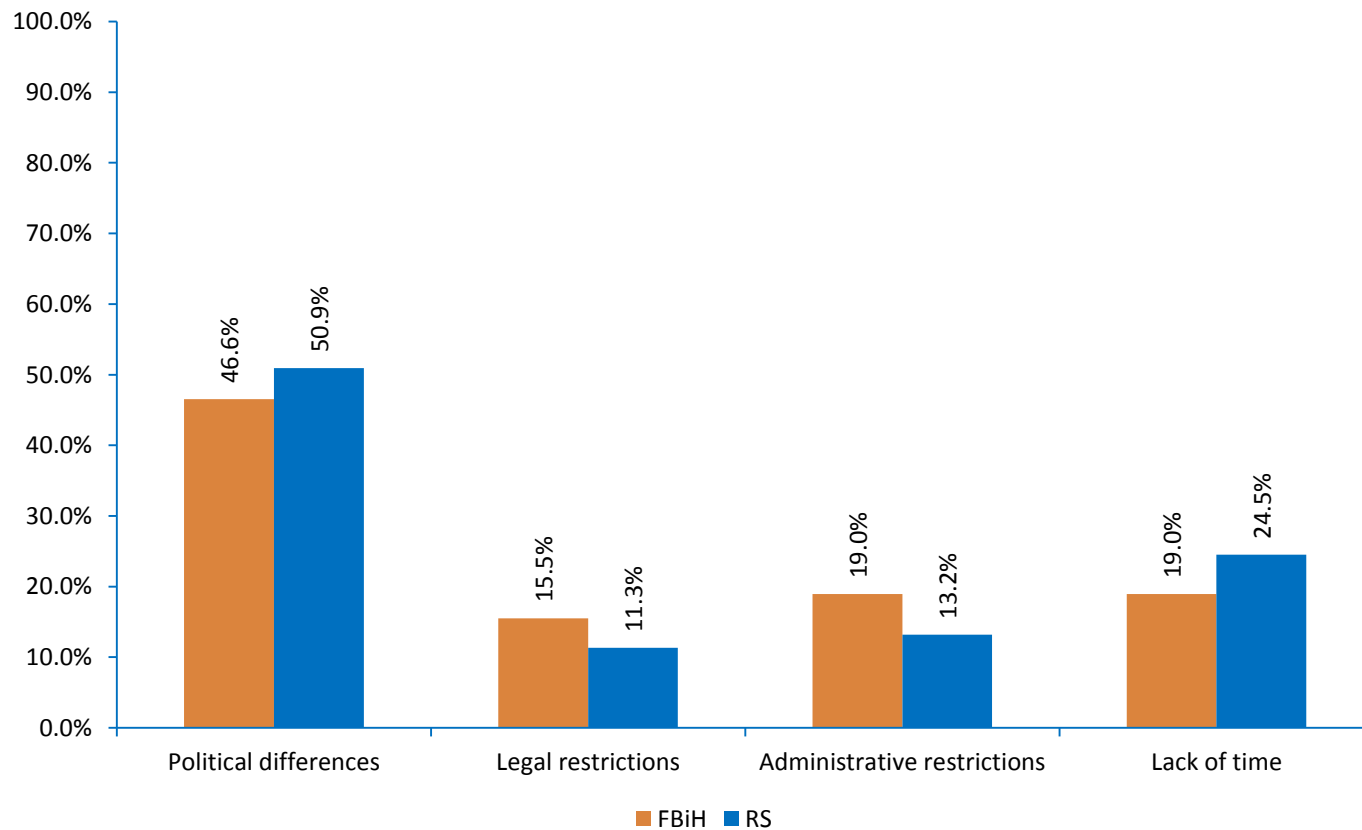
# Coordination in Service Provision

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- There are numerous indications that **local governments are ready for mutual cooperation if it was incentivized.**
- Almost **nine out of ten local governments in both entities** agree that **recent floods and fires have shown an urgent need for better cooperation** between local government.
- In both entities, **political differences are seen as the main obstacle to greater cooperation** between local governments.

# Coordination in Service Provision

The main reason for the lack of stronger cooperation between the local self-government units is/are:



# Coordination in Service Provision

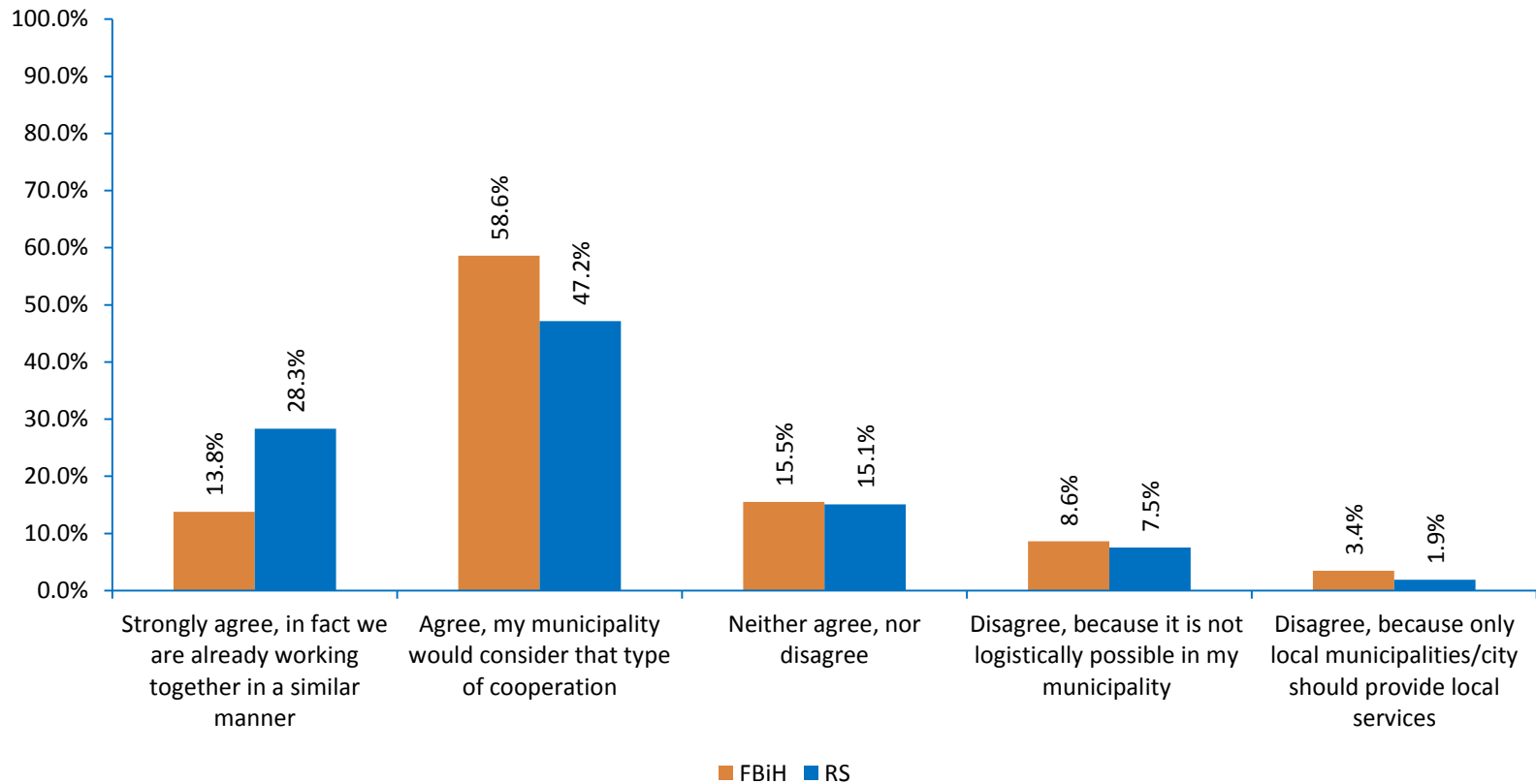
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A large majority (75-90 percent) of local governments in both entities agree that:

- It would be a good idea to **give priority to grant applications that are jointly submitted by two or more municipalities.**
- **Cantons need to spend more time coordinating and encouraging the service provision** between municipalities (in the FBiH).
- Municipalities and cities **should cooperate in providing utility services** in order to reduce costs and share expensive infrastructure.

# Coordination in Service Provision

In order to reduce costs and share expensive infrastructure, municipalities/cities should cooperate in providing services and encourage utility companies to provide services to multiple municipalities/cities.



# Coordination in Service Provision

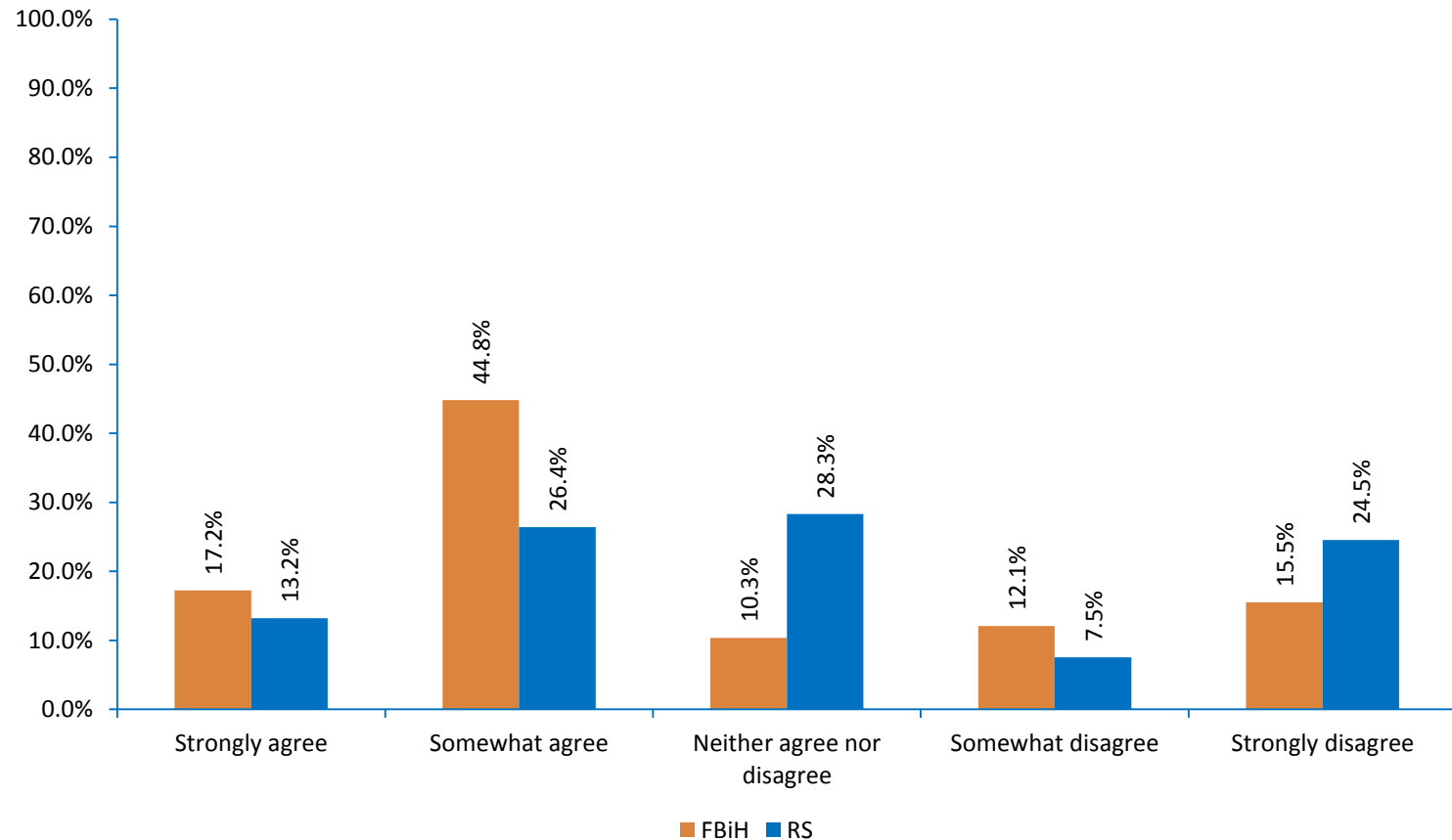
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Many utility companies are facing financial difficulties, yet:

- Six out of ten local governments in the FBiH and 4 out of ten in the RS, agree that they currently **subsidize utility companies, because it is too politically sensitive** to raise the prices of public services.
- There is **no majority support** in either entity **for setting up a regulatory agency** at the cantonal level (FBiH) or entity level (RS) that would be responsible for determining utility taxes and fees.

# Coordination in Service Provision

My municipality/city subsidizes utility companies, because it is politically sensitive to raise the prices of public services.



# Coordination in Service Provision

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- Regarding problems caused by fragmentation across cantons, all cantons agree that there is an **urgent need for coordination of procurement of drugs** in the FBiH based on a single essential drugs list.
- **Two thirds of cantons agree that they should share specialized police and judicial institutions**, such as forensic laboratories (on a cost recovery basis).



# Measuring Performance

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- There is **significant support** in local governments across BiH **for the need to conduct regular and systematic measurement of performance**, including the communication of regular reports to the public.
- **A vast majority agrees that it is necessary to introduce transfers** from higher levels to municipalities and cities **that are based on better performance** measures and minimum service standards.
- Only a third of cantons deem that **current performance and efficiency measures** of local governments **are adequate**.

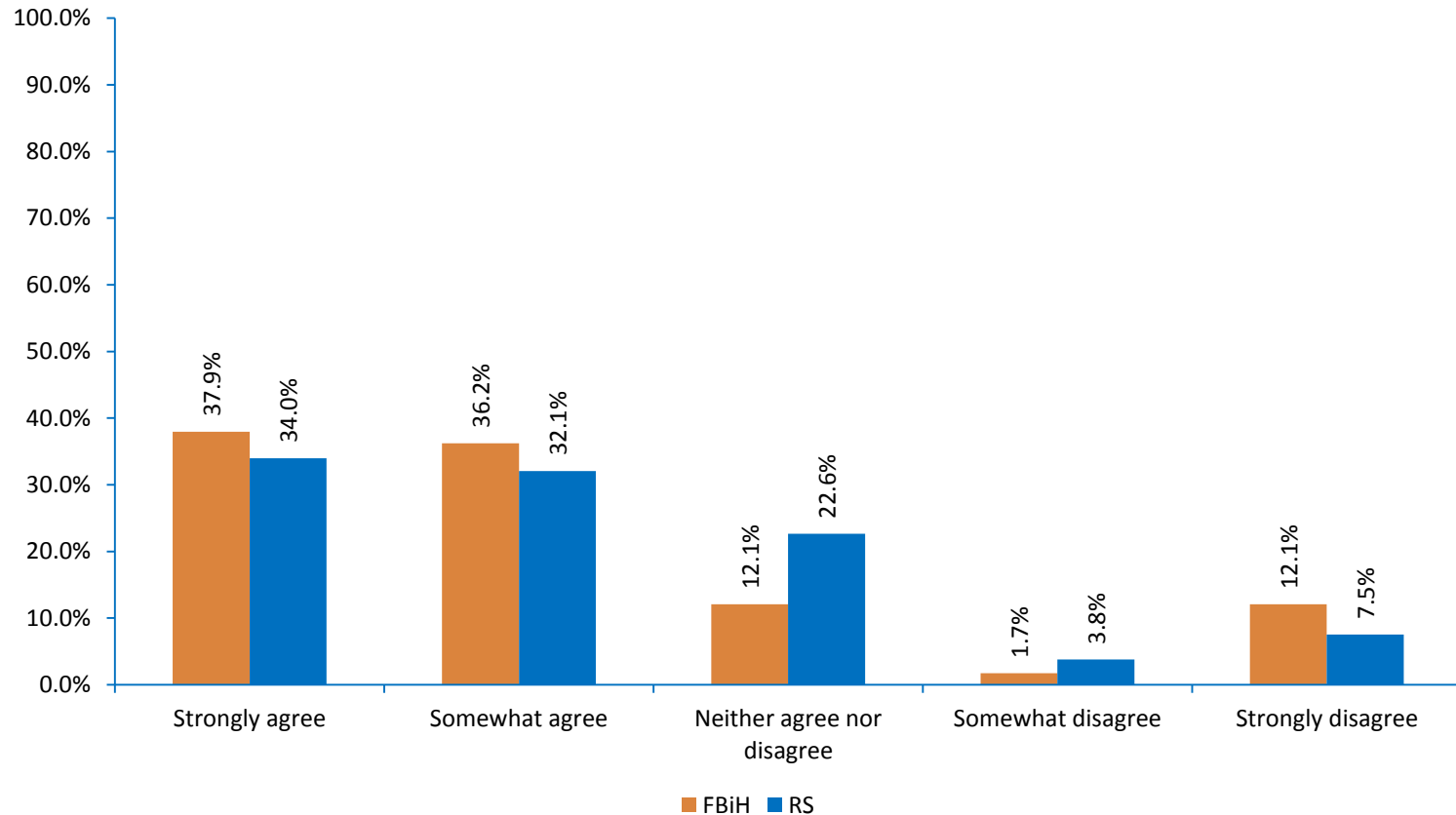
# Public Administration Reform

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- **Two thirds of municipalities and cities in the FBiH and RS agree that there is a need to change civil service laws** to allow greater flexibility in hiring and firing, even if this undermines job security for municipal employees.
- Half of the cantons agree with the same statement.

# Public Administration Reform

There is a need to change the Law on Civil Service to allow for greater flexibility in employment and dismissal, even if such provisions weaken the job security of employees in municipal/city administration.



# Local Economic Development

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- A third of municipalities and cities in both entities see the **lack of coordination** from entity government and unrealistic entity strategies **as the main obstacles to better local economic development.**
- **In the FBiH, confusion over responsibilities** between the various levels is identified as a serious concern.
- **In the RS insufficient funding for legally assigned duties** is seen as a serious obstacle to better local economic development.

# Local Economic Development

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As the main obstacle to greater private investments:

- Municipalities and cities **in the FBiH highlighted complex and burdensome business regulations**, while
- Local governments **in the RS point to insufficient funds to promote and stimulate investments.**
  
- A quarter of local governments in both entities point to the **problem of political instability.**

# Management of Natural Resources

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- Concerning the allocation of revenues from natural resources, **local governments in the RS largely support the existing allocation** and would on average retain 71 percent.
- **In the FBiH**, local governments would retain 65 percent, while cantons would allocate 40 percent to themselves, 50 percent to local governments, while the rest would go the FBiH.
- **There is majority support for the provisions of the new Draft Law on Forests in the FBiH** with regards to a unified criterion on the maximum number of employees and yearly volume of logging that should be set by the FBiH.