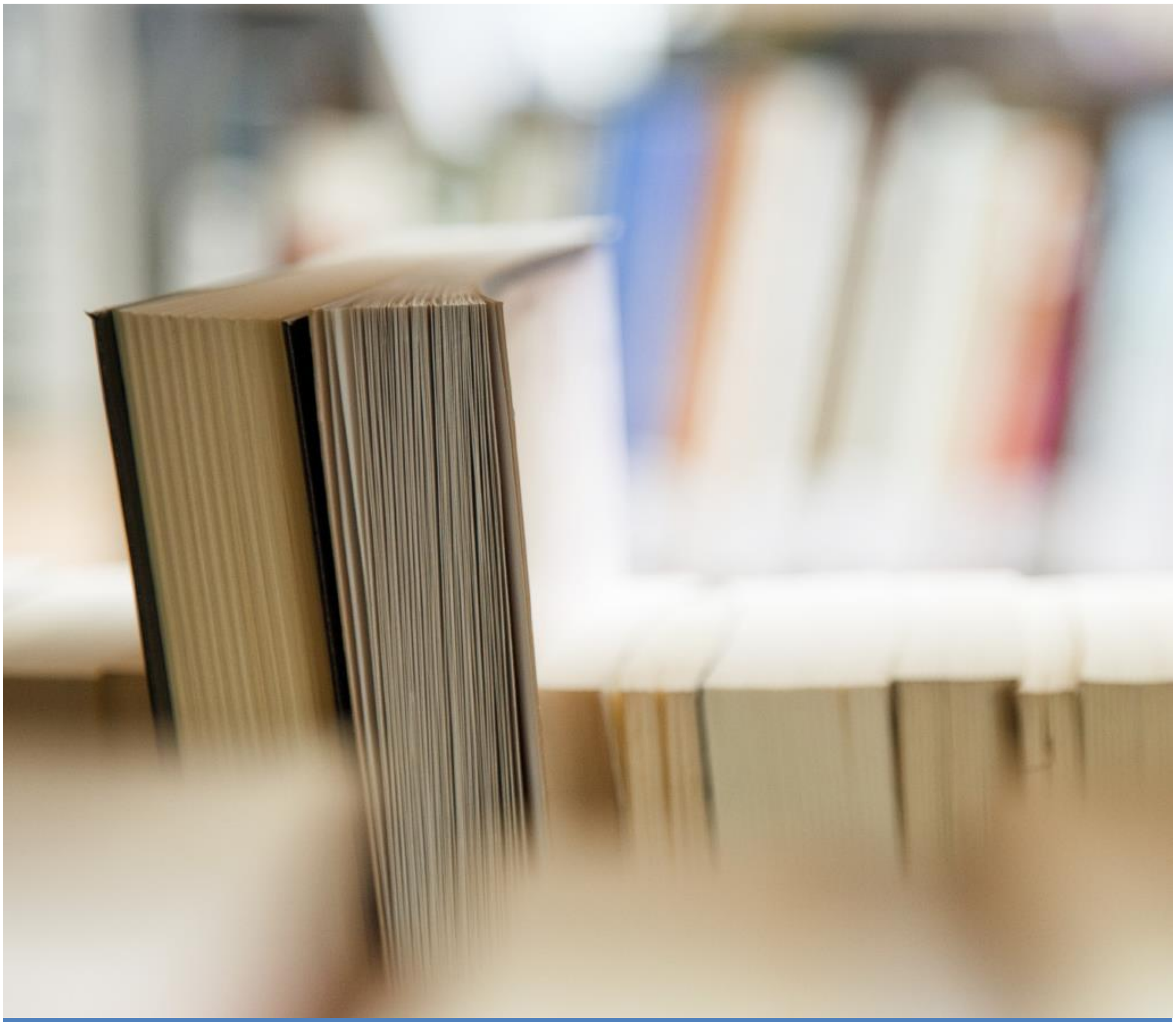

Short report on common issues and differences on macroeconomic analysis

CSOs as equal partners in monitoring public finances

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BALKAN MONITORING PUBLIC FINANCES

www.wings-of-hope.ba

CREDITS

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This document has been produced as a part of the project "CSOs as equal partners in the monitoring of public finance", which started beginning of 2016 and is implemented by a consortium of 10 organizations from 7 countries and will last for four years.

The aim of the project is to improve the transparency and accountability of policy and decision making in the area of public finances through strengthening the role and voice of NGOs in monitoring the institutions that operate in the area of public finances. In this way, the project will strengthen CSO knowledge of public finance and IFIs and improve CSO capacities for monitoring. Additionally, it will help advocate for transparency, accountability and effectiveness from public institutions in public finance. Moreover, this project will build know-how in advocating for sustainability, transparency and accountability of public finance and IFIs. This project will also increase networking and cooperation of CSOs on monitoring of public finance at regional and EU level. Lastly, it will increase the understanding of the media and wider public of the challenges in public finance and the impacts of IFIs.

Key project activities are research and monitoring, advocacy, capacity building and transfer of knowledge/practices and networking in the field of the 4 specific topics: public debt, public-private partnerships, tax justice and public infrastructure.

More information about the project can be found on http://wings-of-hope.ba/balkan-monitoring-public-finance/ and on the Facebook Page Balkan Monitoring Public Finances

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CONTENT

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INTRODUCTION

Macroeconomic environment in all of the analyzed countries is in general characterized with similar parameters. The following table lists the key macroeconomic indicators for the seven countries.

	Macedonia	Bosnia and Herzegovina	Serbia	Montenegro	Kosovo	Bulgaria	Slovenia
Real GDP growth per capita (2015)	3.7%	3.2%	3.5%	3.2%	3.5%	3.3%	2.9%
Rate of debt (2016)	45%	42.3%	72%	61.4%	12.5%	29.3%	85%
Unemployment rate (2015)	26.1%	41.57%	17.7%	17.8%	35%	9.1%	9%
Deficit / Surplus (2015)	-3.5%	0.7%	-2.9%	-7%	-1.3%	-2.10%	-2.9%
Inflation rate (2015)	-0.3%	-1.2%	1.9%	1.5%	-0.5%	-0.4%	-0.5%
People at risk of poverty or social exclusion	22.1% (2014)	17.9% (2011)	25.4% (2015)	8.6% (2013)	29.7% (2011)	41.3% (2015)	14.5% (2015)
GINI coefficient (2014)	35.2%	33%	38.2%	26.2% (2013)	27%	37%	25%

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PUBLIC DEBT

The Public Debt in all of the analyzed countries is regulated by laws that prescribe clearly for which purposes the countries can borrow at international or domestic market, or issue guarantees.

Public debt levels have risen noticeably in recent years. Central government debt is the largest component of public debt.

Republic of Macedonia, Bosnia and Herzegovina, Serbia, Montenegro and Slovenia are currently highly indebted countries indicating further growth of public debt.

On the other hand, Kosovo has relatively low level of public debt and represents no real concern for the time being. This is mostly due to the fact that Kosovo is very young country declaring its independency in 2008.

Likewise, Bulgaria is far below average European levels but the rate at which the debt is growing is alarming.

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TAX JUSTICE

Regarding the issue of tax justice there is not a simple national definition used to define the term "Tax justice".

As regards the tax policy all of the analyzed countries have established tax legislation consisted of numerous number of tax laws.

The common characteristic of these countries is the flat rate tax system, except Kosovo and Slovenia which apply progressive tax rates on personal income.

Macedonia, Bosnia and Herzegovina and Kosovo are countries with the lowest tax rates in all of these three categories of taxes. Slovenia applies the highest tax rates in all tax categories.

	Macedonia	Bosnia & Herzegovina	Serbia	Montenegro	Kosovo	Bulgaria	Slovenia
VAT	general rate -18% reduced rate - 5%	17%	general rate - 20% special rate - 10%	general rate- 19% reduced rate – 7%, 0%	general rate -18% reduced rate - 8%	general rate - 20% tourist services - 9%	general rate - 22% reduced rate - 9,5%
Corporate profit tax	10%	10%	15%	9%	10%	10% 15% sole traders	17%
Income tax	10%	10%	15%	9%	4%, 6%, 8%, 10%	10%	16-50%

When it comes to avoiding double taxation, all the countries have signed international agreements with different countries, as an important aspect of the tax policy.

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PUBLIC-PRIVATE PARTNERSHIP

Public-private partnership is relatively new topic in the Balkan countries and although it is regulated by law, PPP is still developing.

Over the past years, the modest experience in PPP that neighboring countries have is mostly in the form of concessions and mainly at the local level. The main benefits of putting into law and regulating the PPP are usually for the local self-government municipalities, especially for stimulating more intensive use of public-private partnerships, in developing infrastructure and public services. Therefore, we would prevent number of laws and other pieces of legislation to be in parallel into force on PPP in different sectors and/or at different levels (e.g. in Montenegro 40 different pieces of legislation are regulating cooperation between public and private sector).

The very few PPP projects at state level (Macedonia, Slovenia and Kosovo) have been implemented in the area of transport and social care system. The largest PPP projects are in the field of construction of municipal infrastructure (waste management, public lightning, public transport, gasification and heating systems, hydro power plants and sports halls.

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PUBLIC INFRASTRUCTURE

The general characteristic of these countries is disappointing fact that there is low level of public capital investments.

In this regard, every country has its own specific problems and issues. Nevertheless, the governments focus only on building road infrastructure (motorways) and at the same time restraining from investments in health infrastructure, educational and social system, energy and railway infrastructure. Even when such investments exist, they are often burdened with corruption allegations from media, CSOs and opposition.

Slovenia is probably the only country that has relatively satisfying position regarding the level and quality of public investments in infrastructure, whereas the other countries still lag behind.
This is burning issue especially because only this kind of government expenditures can contribute for increased economic growth.

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