

SURVEY:

South-East European Local Governments in Post Covid-19 Socio-Economic Recovery



Network of Associations
of Local Authorities
of South-East Europe



SURVEY:

SOUTH-EAST EUROPEAN
LOCAL GOVERNMENTS IN
POST **COVID-19**
SOCIO-ECONOMIC RECOVERY

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This publication is a collaborative effort lead by NALAS, NAMRB and KDZ.

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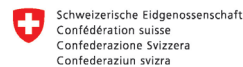
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Disclaimer

The views expressed in this survey, represents the opinions of the authors and the results of the online survey conducted by NALAS. They do not necessary represent the views of SDC and ADA.

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LIST OF ABBREVIATIONS

ADA	Austrian Development Agency	NALAS	Network of Associations of Local Authorities of South-East Europe
ATM	Automated Teller Machine	NAMRB	National Association of Municipalities in the Republic of Bulgaria
BACID	Building Administrative Capacities in the Danube Region	NGOs	Non Governmental Organisations
BiH	Bosnia and Herzegovina	NIF	Farm Identification Number
CEMR	Council of European Municipalities and Regions	OECD	Organisation for Economic Co-operation and Development
CoR	Committee of the Regions	PIT	Personal Income Tax
EU	European Union	RCC	Regional Cooperation Council
EUR	Euro	SDC	Swiss Development Cooperation
ICT	Information and Communication Technology	SEE	South-East Europe
IT	Information Technology	SME	Small and Medium-Sized Enterprise
KDZ	KDZ - Centre for Public Administration and Research	UNDP	United Nations Development Programme
LG	Local Government	WB	Western Balkans
LGA	Local Government Association		
n.a.	not available		

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The header features a teal background with a faint, stylized image of a city skyline and financial data. A white line graph with several peaks and troughs is overlaid on a bar chart. The buildings in the background are rendered in a light teal color, creating a modern, business-oriented aesthetic.

AKNOWLEDGMENTS

NALAS would like to thank the member Local Government Associations for their active support in conducting the survey and in mobilizing the participation of their member local governments in the survey. NALAS expresses its appreciation to the 136 local governments from South-East Europe (SEE) that responded to the survey and shared the socio-economic recovery practices they are currently implementing or plan to implement to support their local communities in response to the global COVID-19 pandemic crisis. Without their support, the survey would have not been possible.

NALAS would like to also thank the members of its Advisory Concilium for the technical support in conducting the survey and in the identification of good practices of SEE local governments in leading the socio-economic recovery efforts. NALAS appreciates the support of the Knowledge Management Assistants who have facilitated the process and helped overcome language barriers.

The survey builds on similar Surveys conducted by NAMRB, KDZ, the Committee of the Regions (CoR) and the Organisation for Economic Co-operation and Development (OECD), and the Council of European Municipalities and Regions (CEMR), aiming at identifying the impact and implications of the COVID-19 pandemic at the local government level. NALAS appreciates the cooperation and support of these institutions in the successful implementation of this Survey.

NALAS expresses its high appreciation for the support provided by KDZ through the BACID programme, and the Austrian Development Agency. NALAS expresses its high appreciation also to the Swiss Development Cooperation for the longstanding support to the NALAS Secretariat.

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FOREWORD

The COVID-19 pandemic has brought an unprecedented challenge for all levels of government and societies, with devastating multidimensional consequences, enhanced by the spill overs and interlinkages between our economies. In only six months it has transformed into a dramatic global health, social, economic and financial crisis, affecting directly or indirectly our everyday activities and capacity to react.

Local governments in South-East Europe (SEE) have been at the forefront in responding to this crisis and therefor among the hardest hit by its effects. In serving and protecting their communities they have been facing unprecedented challenges in multiple dimensions, which they have addressed with a strong spirit of solidarity, putting their citizens' lives before everything else and working tirelessly to provide support to the most vulnerable. Thus, emphasizing their crucial role for overcoming the crisis in the medium and longer-term.

The health and social crisis have already transformed into a crisis in local government finance. Looking forward, SEE local governments will face extraordinary levels of uncertainty and will have to make difficult emergency budget rationing decisions, in a context of expected growing gap between revenues, costs and reduced economic activity.

If not effectively addressed, local governments may lose up to 30% of their revenues by year 2022, with a total estimated loss of 17 billion Euro and 1.6 billion Euro respectively for SEE and WB local governments. These expectations show the dramatic dimension of this crisis. The delivery of services will be jeopardised, if not countered with effective measures. Similarly, all successful local finance reforms achieved in more than a decade will be put at risk. Fiscal decentralization in SEE should continue and be supported if we want more resilient local governments and guaranteed access to public services.

Efforts must now focus on the recovery of our communities and economies. At the same time recovery should not be an aim in itself, but also provide for sustainable development and implementation of active policies. We should work closely with our fellow citizens and entrepreneurs to plan and build a more resilient future and with other levels of governments and stakeholders to adopt sustainable social and economic recovery policies. The actual recovery of our communities and economies hinges on types, timing and consistency of the recovery policies we will adopt and implement jointly. In developing such policies, we should focus not only on the short term, but also and most importantly to the medium and longer terms to ensure a sustainable future for our citizens.

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The COVID-19 crisis has a strong territorial dimension, with impact varying significantly across and within local governments and economies. This makes policy response much more challenging as policies need to be adapted to the local realities, needs, challenges and opportunities. Now, more than ever we need active vertical and horizontal cooperation, coordination and consultation between levels of government, to preventing overlapping activities and to minimize the risk of fragmented responses.

Local Government Associations play a key role in the coordination and cooperation across levels of government and therefore have an irreplaceable position in the response to the pandemic and in planning and implementing the social and economic recovery. They must be supported in these challenging tasks. Lessons learned and shared experience can help SEE local governments in coping with future crisis. That is why this survey aims at supporting them and their associations creating a better understanding of the impact of the COVID-19 at the local government level and helping identifying successful regional practices for social and economic recovery. Similarly, it aims at helping informing policy recommendations and the advocacy efforts of local government associations.

Mayor Emanuil Manolov

NALAS President, Mayor of Pavlikeni

EXECUTIVE SUMMARY

The purpose of this survey is to help improving the understanding over the impact of the COVID-19 crisis at the local government level in South-East Europe, identifying effective and innovative social and economic recovery strategies and ultimately helping formulating concrete policy proposals to inform advocacy efforts of NALAS member Local Government Associations. The key findings of the survey are presented as follows.

As of February 2020, COVID-19 has become a global threat and South-East Europe (SEE) was no exception. Local governments (LGs) throughout the region faced numerous challenges in meeting the emergency needs and protecting community health and wellbeing during the pandemic. What started as a health crisis turned into the biggest economic recession since the World War II, with severe and long-lasting consequences.

SEE local governments have been and will certainly remain at the forefront in responding to the COVID-19 pandemic social and economic crisis. Their challenges need to be listened to and understood, and they must be supported to address these challenges in the most effective and efficient manner.

Efforts must now focus on measures aimed at managing the social, economic and financial dimension of this crisis. The types, the consistency and the timing of the recovery measures will play a crucial role in the actual social and economic recovery. Clearly, local governments have a key role in successfully designing and implement-

ing such recovery strategies as they are best positioned to better and more quickly understanding the local community needs.

The COVID-19 pandemic has had a major impact on all SEE local governments – 45% of them think that the impact from the crisis is strong or very strong, while 38% perceive a moderate impact, demonstrating the differentiated impact within and across local governments in South-East Europe.

In the immediate pandemic outbreak, the lack of adequate financial resources was the single most important challenge faced by LGs in SEE – 87% of the respondents perceived this as challenging and very challenging, followed by the lack of legal and regulatory **authority** to take action, lack of clear and coherent **rules**, and lack of sufficient human and technical **resources**.

From a functional perspective, in the immediate outbreak, **local governments' spending priorities** were geared towards **safeguarding citizens' health and lives** and helping those most affected by the lockdown.

Currently, the key challenge faced by SEE local governments is supporting the reopening and revival of their communities and economies – 79% perceive this as challenging and very challenging.

SEE local governments face and will continue to face unprecedented financial pressures. On the one side, local spending has

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increased to respond to the crisis and support their local communities. On the other side, their revenues have been falling down because of the lockdown, the fall in economic activity, consumption and jobs, the closure of certain local services and utilities, and also because of the fiscal relief measures adopted to support local economies and individuals.

At the peak of the crisis and during the “lockdown” (March-June 2020) local revenues were severely hit - in 81 % of SEE, local governments’ own revenues decreased by more than 10% and 20% in annual terms. In the same time, also intergovernmental transfers fell for 65% of SEE local governments. As a result, local capital investments fell by more than 20% in more than a third of SEE local governments.

The challenges in local finances are expected to continue over the short and medium term. Most SEE local governments expect a **pessimistic or very pessimistic outlook for the years 2020 to 2022.** Overall, **cumulatively, by 2022 SEE local governments may lose up to 30% of their revenues compared to 2019** for a total estimated loss of 17 billion Euro, which would have **devastating effects for local governments and will compromise their ability to provide services and improve infrastructure – which are both key to reviving local communities and economies.**

The good practices for recovery measures that are an integral part of this report confirmed that, with all the uncertainties about the future - **the crisis has brought to light also positive developments in local communities** such as **strengthened local solidarity** for citizens in need, the most vulnerable and those that lost or were at risk of losing their jobs; a **quick switch to digitalisation of local**

services, which has been both a challenge per se and a response to the crisis, and **promotion of local and regional products**, both as a means to secure supplies and support local economies.

Local Government Associations play a key role in the coordination and cooperation across levels of government and therefore have an irreplaceable position in the response to the pandemic and in planning and implementing the social and economic recovery.

For a successful recovery, SEE local governments expect **changes in the legislation** calling for increased **financial decentralisation**, stronger local tax powers, higher intergovernmental transfers and more flexible rules on local borrowing, as well as a higher level of engagement of the national government in **enhancing digital infrastructure and digitalisation of services.** Overall, SEE local governments expect higher support from the higher levels of government in **financing the social and economic recovery** of local communities and businesses

The differentiated impact of the COVID-19 within and across local governments in South-East Europe poses great challenges for policymakers and requires more than ever an active cooperation, coordination and consultation between levels of government and local government associations in planning, developing and implementing ‘place-based’ social and economic recovery measures. Such coordination mechanism should be established or strengthened and local governments and their associations must be given the opportunity to present the needs, challenges and opportunities for their communities.

1. INTRODUCTION

South-East European (SEE) local governments (LGs) have been and will certainly remain at the forefront in responding to the COVID-19 pandemic social and economic crisis. In serving and protecting their communities they have been facing unprecedented challenges in multiple dimensions. SEE local governments have been responding to these challenges with a strong spirit of solidarity, putting their citizens lives before everything else and working tirelessly to provide support to the most vulnerable.

The crisis required local governments to take timely measures to shut down selected local services, quickly switch to remote working practices and digitalise administrative services, expand programs for securing citizens healthcare, expand social protection and care for a significantly higher number of vulnerable people, take measures to allow the smooth implementation of online or long-distance learning, etc. In the aftermath of the control or minimisation of the first wave of infection SEE local governments have taken specific ad hoc measures to support the survival of their local communities and economies.

The support measures adopted by SEE local governments have produced unparalleled pressures on local government finances. Si-

multaneously to the extraordinary increase in local spending, SEE local governments, are experiencing a substantial fall in their revenues from own local taxes, fees, user charges and assets directly related with the closure and slowdown of economic activity because of the pandemic. Similarly, to alleviate the situation for their citizens and to protect jobs, SEE local governments have also adopted different forms of tax reliefs and exemptions – which further contributes to the strain on local finances.

In many SEE economies, governments have put in place fiscal stimulus packages designed to support individuals, households and business to deal with the immediate impact of the crisis. In some SEE economies local governments have received additional financial support in the form of increased grants. However, such measures have been only temporary and dedicated to the emergency responses – without a clear plan for the future social and economic recovery of local communities.

Measures designed to prevent the spread of the coronavirus had a serious impact on local businesses and communities, leading to an increase in the number of vulnerable people needing assistance. Social protection and support to the local businesses and commu-

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nity have been at the core of all the strategies at the local level in response to the crisis. Social and financial solidarity from the community has played a critical role in helping those most in need.

This situation where local governments have increased their spending while facing a shortfall in their current (and future) revenues – is likely to lead to a crisis in local finances. This scope of the crisis will depend on a variety of factors, but it is likely to be hardest on those economies with already weak intergovernmental finance systems and economies where national governments are already struggling with high levels of public debt. For sure, if SEE governments do not take active measures, the impact on local government finances – and therefore on local government services would be devastating, and incomparable with the impact of the 2008 global financial and economic crisis.

Local Government Associations (LGAs) have played an important role in coordinating, proposing solutions and supporting the implementation of emergency measures by their members. Despite the serious challenges, municipalities managed to adapt their activities to limit the spread of the virus, to protect the society with focus on the most vulnerable and to continue to serve citizens.

With an upcoming expected second wave of infections, and the understanding that the pandemic will not end in a short period of time, efforts must focus on managing the social, economic and financial crisis. Governments at national, regional and local level, must work

together to adopt economic recovery policies, support for SMEs, public investment incentive plans, targeted measures for the most affected areas, or most vulnerable groups, policies to support the compensation of reduced local revenues and increased costs, municipal debt management, reorganization of the administration and staff providing public services, reorganization of coordination mechanisms between different levels of government for crisis response.

The types, consistency and timing of these measures will play a crucial role in the actual recovery. In this sense, local governments must have access to adequate funding, both for emergency reaction and now for recovery measures, taking into account their specific context and conditions. Local Government Associations have a key role to play in the design and implementation of these measures.

The purpose of this survey is threefold. *Firstly*, it aims at **creating a better understanding of the impact of the COVID-19 pandemic at local government level in South-East Europe**. While there have been surveys conducted at the national level in our region, this survey provides an overview of the impact at both the national and regional level, smaller and larger local governments etc. *Secondly*, it aims at **identifying successful and innovative practices adopted by local governments in SEE to minimise the impact of the crisis and support their communities and local economies to survive and recover**. The survey brings a selection of practices adopted by SEE local governments in the domain of economic support and

fiscal relief, social care and protection, healthcare and education, digitalisation of public services and crisis management, which may help the efforts of other local governments and associations of local governments in the region. *Thirdly*, the survey aims at **helping formulating concrete policy proposals and informing the advocacy efforts of the LGAs** for social and economic recovery measures, through regional best practices.

The survey is organised as follows: The second chapter provides a description of the **methodology** employed for conducting the survey and information about the respondents to the survey. The third chapter analyses the **impact** of the COVID-19 crisis at the local government level in SEE, identifying the key challenges faced by SEE local governments at the peak of the crisis, the current challenges faced by local communities and it also provides some considerations on what have been unexpected positive developments from the crisis. The fourth chapter on the **financial impact** of the crisis, focusing on the impact on both local government revenues and expenditures, the spending priorities and the expectations over the short and medium term. This chapter includes an estimation by how much SEE local government revenues may decline over the short and medium term if no counter measures are adopted. The fifth chapter focuses on the **social and economic recovery measures and strategies**, providing a brief description of selected successful practices adopted by SEE local governments and a summary of the main focus of recovery strategies. The sixth chapter focuses on the **future implications on governance in managing and responding**

to the COVID-19 crisis, highlighting what SEE local governments have done or plan to do on their own, what type of support they expect from their national governments, the role of local government associations and suggesting approaches for improving intergovernmental dialogue and coordination with the national government in designing effective social and economic recovery measures. The last chapter is dedicated to **conclusions and recommendations** to help policymakers in developing effective and sustainable social and economic recovery policies. The **Annex** includes detailed survey results for each economy and by the size of local governments.

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2. METHODOLOGICAL NOTE

The survey was conducted through a structured questionnaire with 36 questions aiming at capturing the perception of local governments and their associations in South-East Europe as regards the impact of the COVID-19 crisis at the local level and the expectations of local governments about the short and medium term as regards the multiple dimensions of the crisis. The questionnaire was developed by NALAS, with the support of NAMRB and KDZ. The questionnaire included multiple choice and open-ended questions to allow respondents to provide additional feedback and describe in more detail their individual contexts, situations, implications etc.

The survey questionnaire was complemented by an additional information request for local governments and their associations to describe good practices currently adopted or planned to be adopted to support the social and economic recovery at the local level in South-East Europe. The information was collected utilizing a standardized template, with information request on the challenges faced by local governments, the practices they have adopted to overcome the challenges, the expected results and the lessons learned.

The questionnaire builds on the model questionnaires employed by the COR and OECD, NAMRB, KDZ and CEMR in similar surveys, aiming at identifying the impact and implications of the COVID-19 pandemic at the national and international levels. NALAS appreci-

ates the cooperation of COR and the OECD in sharing and in authorizing the utilization of select questions from their survey. The similar structure of the survey facilitates additional international comparisons, helping identifying needs and challenges from another perspective.

The survey questionnaire was translated in local languages of SEE from the NALAS Knowledge Management Assistants, overcoming linguistic barriers and further facilitating the completion of the questionnaire. Given its complex nature, the questionnaire was filled in in Microsoft Word, allowing multiple experts from local governments to provide their perspective in a single and consolidated document. Similarly, good practices templates were filled in by multiple experts. The responses have then been transposed into an online platform survey platform. The process compiling the questionnaires and the collection of the adopted good practices adopted by different local governments to support the social and economic recovery of their communities was managed by and took place under the oversight of the NALAS Advisory Concilium Members.

Due to technical issues, the local governments in Kosovo* and Turkey have not been able to respond to few specific questions included in the final questionnaire. Where applicable, the tables and

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

charts have been adjusted accordingly to reflect this situation and ensure maximum comparability of the results.

The survey was compiled by a total of 146 respondents, of which 137 local governments and 9 Local Government Associations from SEE.¹ On average, the sample of local governments responding to the survey constitutes 11.9% of the total number of local governments per economy, with a variation from 0.3% to 64% of the total local governments per economy. The representability of the sample is highest in the Western Balkans economies, which have also much lower total number of local governments. The median representative sample is 4.3%.

In terms of size, 39 (or 27% of the total) of the respondents are smaller local governments with an average population of less than 10.000 inhabitants, coming mostly from Croatia, Moldova and Romania; the second and largest group includes 52 (or 36%) smaller to medium size local governments with a population between 10.001-50.000 inhabitants, mostly Bosnia and Herzegovina, Croatia, Montenegro and Slovenia. While medium to large size local governments with more than 50.000 and 100.000 inhabitants make up to 14% and 18% of the total respondents to the survey, respectively. LGAs constitute 6% of the total response.

¹ Albania, Bulgaria, Croatia (2), Moldova, Montenegro, Romania, Slovenia and Turkey

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Size of participating LGs	Number of respondents economies												Total
	Albania	Bosnia and Herzegovina	Bulgaria	Croatia	Kosovo	North Macedonia	Moldova	Montenegro	Romania	Serbia	Slovenia	Turkey	
up to 10.000 inhabitants	0	1	1	13	0	1	8	5	10	0	0	0	39
10.001 to 50.000 inhabitants	4	12	3	6	2	3	2	9	1	3	6	1	52
50.001 to 100.000 inhabitants	1	2	3	0	5	3	0	1	0	2	1	2	20
more than 100.000 inhabitants	5	1	3	0	3	0	0	1	0	2	0	11	26
Association of Local Authority	1	0	1	2	0	0	1	1	1	0	1	1	9
Sum of respondents	11	16	11	21	10	7	11	17	12	7	8	15	146
% of respondents	8%	11%	8%	14%	7%	5%	8%	12%	8%	5%	5%	10%	100%
Total LGs, per economy	61	144	265	556	38	81	898	25	3.181	145	212	1.398	7.004
% of participating LGs	16,4%	11,1%	3,8%	3,4%	26,3%	8,6%	1,1%	64,0%	0,3%	4,8%	3,3%	1,0%	2,0%

Table 1
Respondents to the survey

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

3. IMPACT ON LOCAL GOVERNMENTS

3.1 General impact on local governments

All local governments in South-East Europe (SEE) have been impacted by the COVID-19 pandemic crisis, although at different levels. Figure 1 shows the perceived impact of the crisis on local governments in SEE. As it can be noted, 8% of the respondents' perceive to have experienced a **very strong impact**, which is associated with a definition of complete shutdown, with lasting structural damages to the local community and economy; 37% of the respondents perceive to have experienced a **strong impact** from the crisis, which is associated with a definition of severe service disruptions,

inability to perform tasks and lasting medium to long-term effects on the local community and economy; 38% have perceived a **moderate impact**, which is associated with disruption of several services and short and medium term implications for the local community and economy; and 14% perceive to have experienced a **low impact** from the crisis, where there have been few pressures that were handled swiftly without creating any meaningful damage to the local community. The perceived COVID-19 impact on local governments for individual SEE economies is provided in Figure A1 in the Annex.

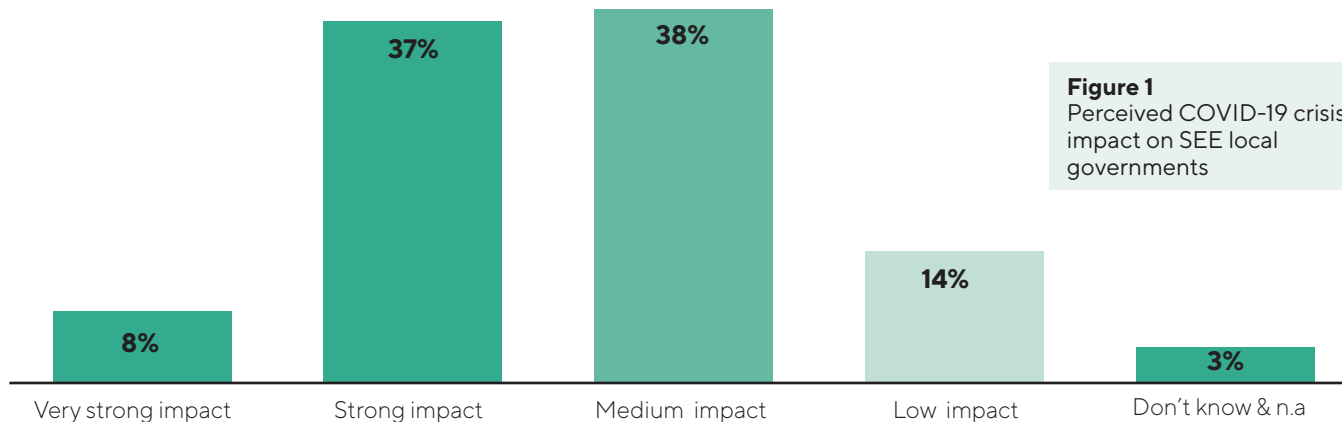


Figure 1
Perceived COVID-19 crisis
impact on SEE local
governments

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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At the level of individual economies, there are differences in the magnitude of impact for local governments. Figure 1.1 shows that three main clusters can be identified:

- Kosovo local governments are the most affected – 90% have perceived a strong and very strong impact;

- The second group of most affected economies with a perceived impact close to 50-60% include Albania, Bosnia and Herzegovina, Croatia, Slovenia, Romania and Turkey;
- The third group includes Bulgaria, Moldova, Montenegro, North Macedonia and Serbia where only 14-29% of local governments have perceived a strong or very strong impact.

Figure 1.1 Perceived COVID-19 crisis impact on SEE local governments (Strong and very strong impact)

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.



Figure 2 shows the impact of the COVID-19 pandemic crisis from the perspective of the size of local governments. **In general, all sizes of local governments perceive a high negative impact. Although it is not possible to identify a clear-cut correlation, it appears that larger cities/municipalities are more affected by the COVID-19 crisis.** This perception is confirmed also by the assessment of the Local Government Associations (LGAs).

It can be noted that 51% of smaller sized local governments of less than 10.000 inhabitants perceive to have been experiencing a strong impact from the crisis, while 31% of them have perceived a more moderate impact. None of them report to have experienced a very strong impact. On the other hand, 15% and 19% of the medium to large sized local governments with more than 50.000 and 100.000 inhabitants respectively declare to have experienced a

very strong impact, associated with a severe service disruption and lasting medium to long term effects. **A stronger impact on larger sized local governments is understandable given the concentration of citizens and economic activity, in larger and more urban centres.**

Except for smaller sized local governments with less than 10.000 inhabitants, in all other size groups, a more “moderate impact”, associated with disruption of several (but not all) services and short- and medium-term implications for the local community and economy, is the single largest perception. This perception is shared also by more than half of the LGAs. This would suggest that, **in most cases, local governments and their associations expect that difficulties and challenges can be addressed over the short and medium term.**

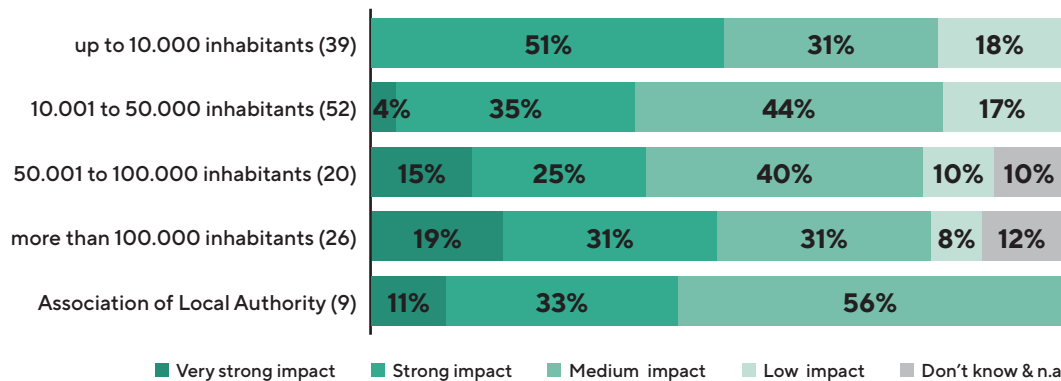


Figure 2 Correlation between size of LGs and scope of perceived impact of the COVID-19 crisis

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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3.2 Key challenges faced by local governments at the peak of the COVID-19 crisis

The lack of adequate financial resources is the single most relevant challenge faced by local governments in SEE. Figure 3 shows that **on average, 87% of them perceive this as challenging and very challenging.** This is an indication perhaps, that, the emergency financial support (if) provided by the national governments has not been sufficient to help local governments mitigate the extraordinary expenditures incurred by local governments. As regards this challenge, **there is no major distinction between local governments from EU and EU candidate economies.** A more detailed presentation of the key challenges faced by local governments in each SEE economy is provided in Table A1 in the Annex. The lack of resources has had direct implications in the other challenges faced by local governments, including possibilities to purchase **equipment** and quickly develop **technical capacities** etc. The **lack of staff and human resources** also has been challenging and very challenging for up to half of the responding local governments.

The second largest challenge is the lack of legal and regulatory authority of local governments to take initiatives - in particular in Albania, Bosnia and Herzegovina, Kosovo, Moldova, Serbia, Slovenia and Turkey, where 67% -100% of the responding local governments declare this as challenging and very challenging. The **lack of clear and coherent set of rules** as well as inconsistent institutional guidelines for coping with the crisis can be considered the **third main challenge** faced by local governments, at a similar level with

the lack of staff, technical equipment and capacities. While it is generally reported that **coordination mechanisms** have been established at the both national and local levels to deal with the different aspects of the crisis, 37% of respondents **consider that coordination with other levels of government and institutions involved in the crisis management has been challenging**, while 16% consider it very challenging.

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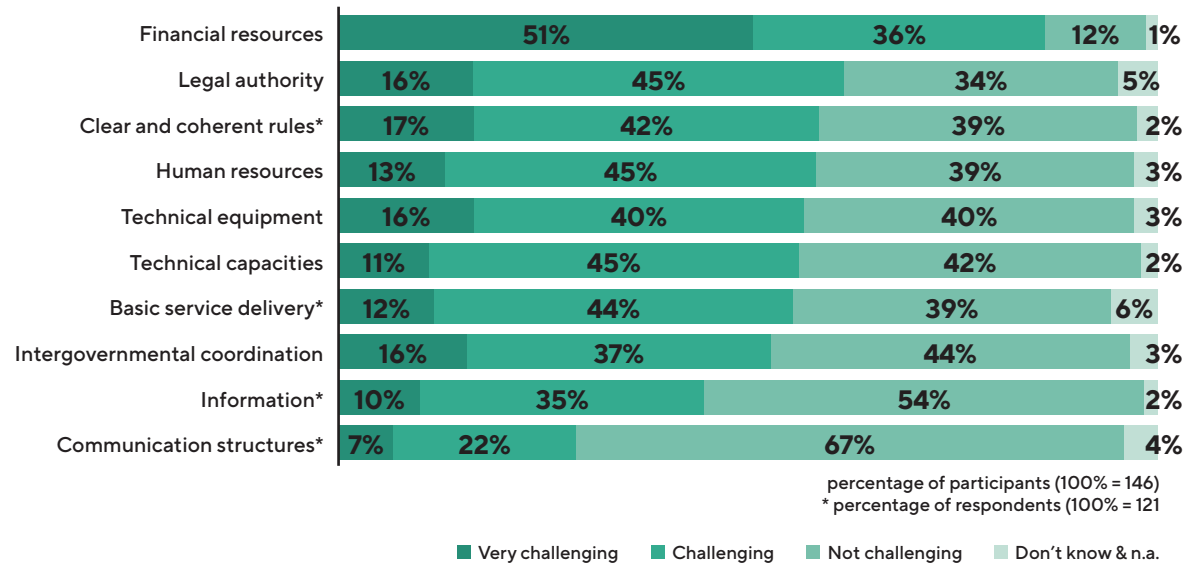


Figure 3
Key challenges faced by SEE LGs in managing the COVID-19 crisis at its peak

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

The **provision of basic services** has been perceived as somehow challenging and challenging by more than half (56%) of SEE local governments that have responded to the Survey. The **lack of information** seems to have been a challenge also for about 45% of SEE local governments. The least challenging aspect seems to have been communication structures.

From the perspective of individual economies, the main challenges faced by local governments (60-100 % considered as challenging and very challenging) are:

- Lack of coordination in Kosovo, Moldova and Romania and to lesser extents in Bosnia and Herzegovina, Bulgaria, Slovenia and Turkey

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- Lack of technical equipment in Albania, Bosnia and Herzegovina, Kosovo, Moldova and Slovenia
- Lack of capacity to take initiative in Albania, Moldova, Serbia and Slovenia
- Lack of finances in all economies except Croatia and Serbia
- Lack of available staff in Kosovo, Moldova, North Macedonia, Serbia and Slovenia

From the perspective of size of local governments, the analysis shows that in all economies, they have faced the lack of financial resources as a key challenge. **The lack of financial resources is the top challenge for both smaller and larger sized local governments. However, it seems to have been a much bigger challenge for larger** local governments, confirming that larger and more urban centres have had a greater impact on their finances and had to take measures in support for relatively larger populations and higher number of businesses. By the same token, it seems also that **the second largest challenge faced – the lack of regulatory competences to intervene – seems to be much more challenging for larger local governments.** The latter are expected to have higher resources and capacities and from this perspective, perhaps they have perceived pressures from the local communities to take a more active role – in an area which is dominated by a top down

approach with the central government having taking decisions. On the other hand, smaller sized municipalities, have perceived this as a challenge to a lesser extent perhaps also because of the fewer resources at their disposal. A more detailed presentation of the key challenges faced by local governments from the perspective of size is provided in Table A2 in the Annex.

There is a slight difference between the local government associations and their member local governments as regards the perception of the relevance or magnitude of the challenges.

Except for the challenges of “lack of available staff” and “lack of adequate financial resources”, where there are no and less differences in the perception between the two groups, in almost all the other challenges identified, there is a minor to large difference in the perceived challenges. This is perhaps related to the fact that such other challenges are more locally determined and depend on the specific conditions of the municipalities that have responded to the questionnaire, while LGAs reflect in their advocacy efforts the challenges faced by all their members.

3.3 Current challenges faced by local communities

Figure 4 identifies what are the main challenges currently faced by local communities and local governments, in the period after the immediate outbreak of the pandemic, in particular in the months of June and July.

- **The biggest challenge is the support for local tourism and economy**, followed by the financing of **investments and infrastructure** projects, which are key for the social

and economic recovery. More than 73% of respondents assessed these tasks as “challenging” to “very challenging”.

- **More than 50 % stated that they perceive local finances as challenging and very challenging**, followed up by managing social life, education and childcare.
- **Information and communication** as well as **crisis management** seem to be least challenging as only 6 -9 % of the respondents assessed these areas as “very challenging”.

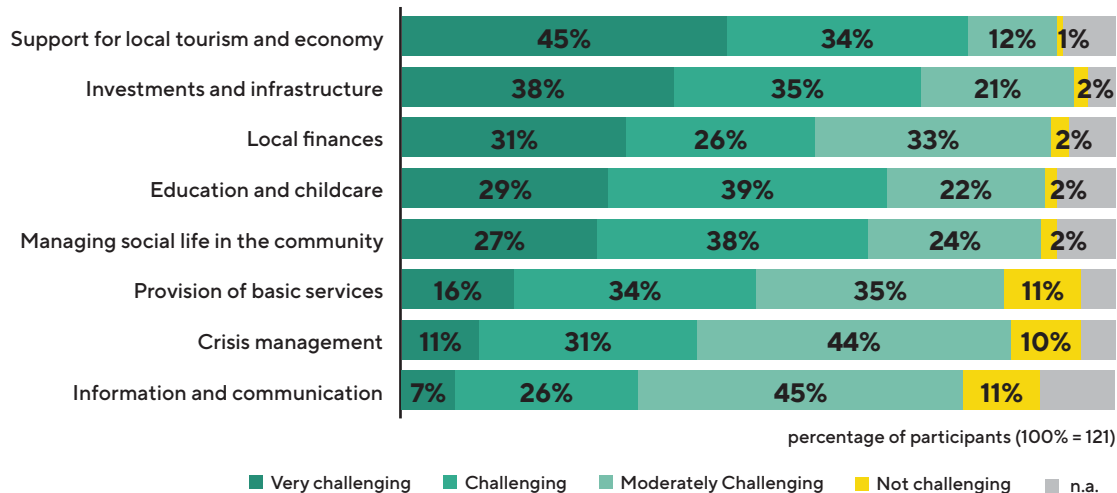


Figure 4 The top challenges in local governments after the immediate outbreak and response to COVID-19

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

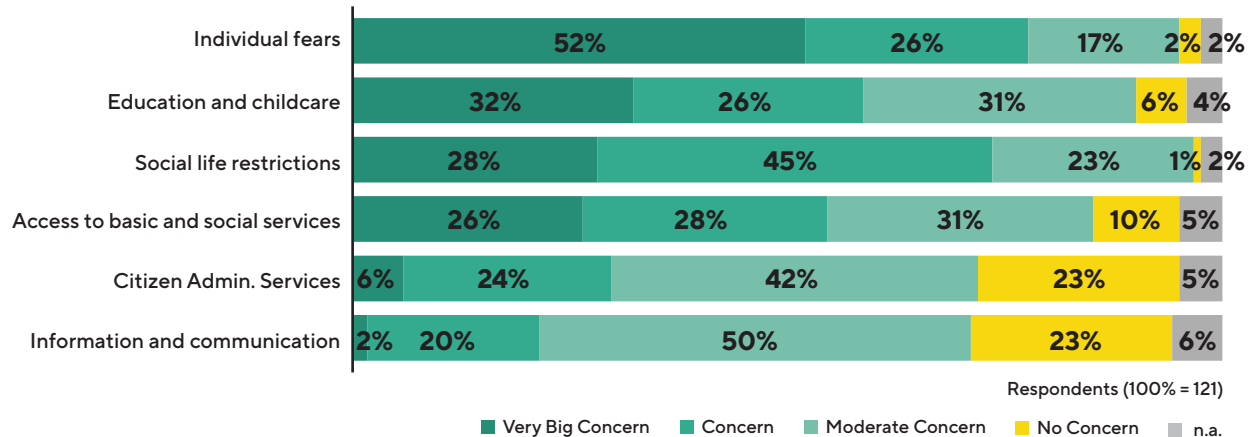
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Figure 5 shows what are the top concerns that citizens have brought to their local governments. As it can be noted, **individual fears of losing jobs, wellbeing and even lives – is the most relevant concern that citizens are bringing to their local governments. Education and childcare are also a very big concern** – given the health, social, employment and economic implications of the choices and measures expected to be adopted by local governments. **The restriction over social life are also a significant concern**, given their social but also economic and financial implications for lo-

cal economies. **Regular access to services** is also a major concern, including health and elderly care but also basic communal services such as water and waste management. Information and communication seem not to be a major challenge for the SEE citizens. With the current increase in the spread of the virus in SEE economies, additional restrictive measures could be expected, exacerbating the current challenges faced by both citizens and local governments.

Figure 5 The top concerns that citizens bring to local governments

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.



3.4 Current unexpected and surprisingly positive developments from the crisis

With all the uncertainties about the near future - the crisis has brought to light also positive unexpected or surprisingly new developments in local communities. With regards to such unexpected or surprising positive developments from the crisis a **quick switch to digitalization, strengthened local solidarity** and the **return to regional/local products** have been mentioned by respondents as the most relevant novelties brought by the crisis.

Digitalization has been both a challenge and a response to the crisis. The immediate transition to digital services was demanding. However, switching to home office seems to be a thoroughly positive change giving more flexibility to the employees and on-line-meetings have become a feasible alternative to face to face meetings. In addition, and in order to provide the citizens a first stop shop for any questions, many municipalities have set up their own internet platforms, where questions have been answered even in real time. In Tirana (Albania) for example online services have been set up targeting people with disabilities or offering psycho-social-educational support to individuals in need. In Romania and Moldova, digitalization of farmers' markets has played a key role to support farmers, citizens and the local economies. In Montenegro, the digitalisation of local administrative services has helped in protecting citizens health. Overall, the results of the survey show that although the crisis forced most local governments to go more digital this has been considered as positive development from the crisis

by implementing new ways of working together both internally in the administration and externally with the citizens. Eventually, many might have been surprised of the potential digitalization can have in the LGs or in public administration.

In the context of **solidarity** many local governments responded heartily to their citizens in need, the most vulnerable and those that lost or were at risk of losing their jobs. Similarly, civil society, neighbourly help and the number of volunteers increased significantly during the crisis. Volunteers supported grocery shopping for vulnerable citizens, sanitizing public buildings, telephone services etc. In Turkey for example, one municipality could offer shopping, drug supply, delivery services and food aid for people over 65 years and people with chronic diseases with helping hands from citizens. Although expected, solidarity for the most vulnerable, is perhaps the most unifying feature of this crisis.

The closure of international borders and the lockdown in general has shown in many local governments that **products from the localities and regions have been increasingly being bought**, even though consumption generally has declined. In Romania for example, a website was created where small business owners could offer their local products, which could be ordered and bought online by the customers. This helped both the businesses in the municipality and the citizens that are supplied with food.

One common lesson learned of the crisis shows that **local budgets**

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need to be planned in a more sustainable way in order to be more resilient against crisis situations. The impact of the COVID-19 crisis can be seen in almost all areas, be it among residents, entrepreneurs, farmers or in public administration. Thus, the LG's budgets need to be redesigned to meeting up-coming challenges, which might include the provision of food and disinfectants as well as masks and the like for the residents. An emergency fund could be created. Nevertheless, without adequate financial support from higher levels of governments' local governments will not be able to effectively provide services to their communities and help in a sustainable social and economic recovery.

4. FINANCIAL IMPACT OF THE CRISIS AT THE LOCAL LEVEL

4.1 The immediate impact on local finances

SEE local governments face unprecedented financial pressures.

From one side, due to the prevention and containment measures, some local services have been completely or partially closed, while the costs associated with such services have changed only at the margin. On the other hand, in response to the crisis, some services such as healthcare and social protection support to vulnerable groups and economic recovery have been expanded, creating huge pressures on local budgets. Simultaneously to the extraordinary increase in service delivery costs, SEE local governments are experiencing a substantial fall in their revenues from own local taxes, fees, user charges and assets directly related to the pandemic and the slowdown of economic activity. This fall in revenues due to business closures, is coupled also with local measures to alleviate the situation and protect jobs and local economic activity, SEE local governments have also adopted different forms of tax reliefs and exemptions for individuals and businesses – which further contributes to the strain on local finances. As described by the OECD, local governments are facing a scissor effect, with rising costs and falling revenues, which will lead to a crisis in local finance.

Figure 6 shows the impact of the crisis on local government budgets for the period March–June 2020, compared with the same period of the previous year. More specifically it shows the extent of change between in local revenues or expenditures experienced by SEE local governments – capturing therefore the immediate impact of the COVID-19 pandemic crisis on local finance in SEE.

At the peak of the crisis and during the “lock down” (period March-June 2020) the own revenues of local governments were severely hit:

- In 81% of SEE local governments’ own revenues decreased by more than 10 %, in 53 % even more than 20 %;
- Furthermore, first but remarkable negative effects on the capital investments emerged: more than 50 % of local governments reported that capital investments were cut by more than 10 %, and in more than one third of municipalities by even more than 20 %;

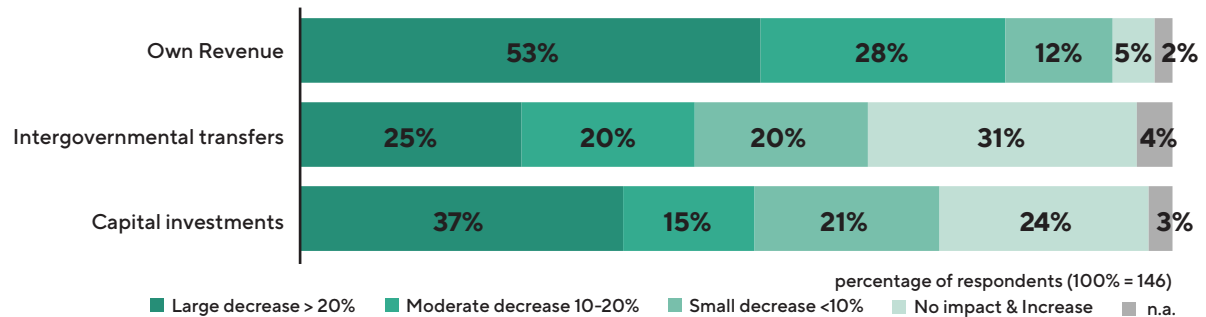
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- In 45 % of SEE local governments' intergovernmental grants from higher levels of government have fallen by more than 10 and 20 %, while in only 7% they have increased.

recovery which takes place at the territorial level, will depend perhaps most importantly on the scope of financial resources that will be dedicated to this purpose from the national government and not only the extent of coordination between the different

Figure 6 Immediate impact on local government budgets for the period March – June 2020 in comparison with the same period of 2019

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.



While the fall in own revenues can be explained by the closure of local businesses and loss of jobs, explaining the fall in already planned intergovernmental transfers is more difficult. Rather than the lack of focus on supporting local government operations in responding to the crisis, **the reduced funding from higher levels of government for local governments is perhaps also a reflection of the reduced fiscal space and capacity of SEE national governments themselves.** Indeed, many economies in the region are already facing very high levels of public debt. From this perspective, it is even more problematic, given that **the success of the socio-economic**

levels of government. The results of the survey on the immediate impact on local government budgets per individual economies and per the size of local governments is shown in table A3 and A4 in Annex 1.

In a situation where local governments cannot run a fiscal deficit, the direct consequence of reduced revenues in the middle of a major health and social crisis is a reduction in spending for specific expenditure categories. From this perspective, **capital investments have suffered the most– 37% of the respondents have reported**

a reduction of quarterly capital investments by more than 20%, compared to the previous year, with another 15% of the respondents reporting a reduction between 10-20%. In only 14% of the respondents spending for investments has not changed, while in 10% it has increased compared to the previous year. **Spending for capital investment is indeed crucial for the social and economic recovery of local communities and businesses.**

By the same token, **the fall in revenues is associated also with a fall in specific recurrent expenditures – including spending for salaries, operational costs, subsidies and transfers etc.** In total, 48% of the respondents have reported a reduction of recurrent spending by more than 10% and 20% compared to the same quarter of the previous year. As LGs have reported increased spending on social sector functions including in particular healthcare, social protection and supporting the local community and businesses – the tendency of reduced recurrent spending can be explained by a reduction of ‘not-crucial’ spending and even by a more conservative approach to local spending policies creating buffers for the expected more difficult months.

To further facilitate the immediate response to mitigate the outbreak of the pandemic, SEE local governments were provided with an increased flexibility in existing fiscal and regulatory rules, in particular as regards budget reallocations, procurement, in utilization of earmarked transfers and access to borrowing. Similarly, timelines for clearing tax obligations have been extended. This has

allowed local governments to rationalize and better utilize existing resources, responding in a timelier manner to the needs to purchase goods and services and to provide support to the local economy.

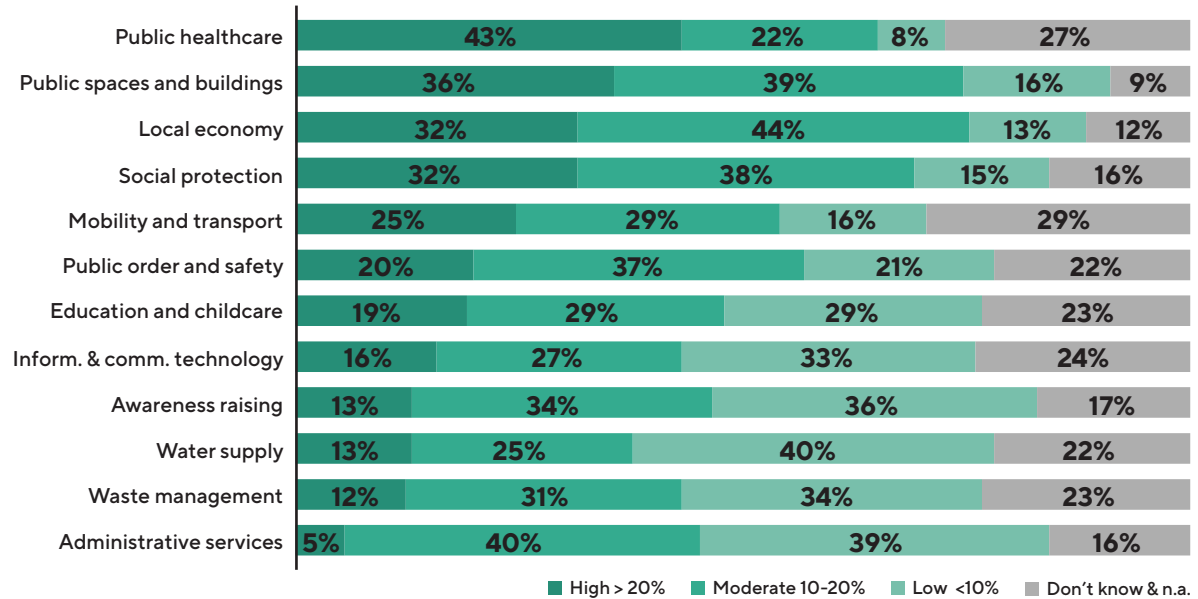
4.2 Local spending priorities in the immediate COVID-19 pandemic outbreak

Figure 7 shows the priority sectors in which SEE local governments have increased their spending on, in the period of immediate response in the effort to help containing the spread of the pandemic. Citizens’ health was the key challenge for all levels of government in the immediate outbreak of the pandemic. In some SEE economies local governments run and manage primary and secondary healthcare institutions, while in other economies local governments have mostly maintenance responsibilities over healthcare facilities. Nevertheless, in all cases, **SEE local governments have increased spending for medical supplies and protective equipment in addition to spending for the reorganization and maintenance of hospitals.** In fact, looking at the sectors that have experienced the highest increase in spending (by more than 20%), public healthcare is at the top, with 43% of the SEE local governments that have responded to the survey, report increase of more than 20%.

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Figure 7 The sectors that required increased spending during the immediate response to the pandemic

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.



Related to the public healthcare, the second top priority has been securing the **disinfection and hygiene of public spaces and buildings** (36%), followed by **social care and protection services** (32%), **support for the local community and economy** (32%), **mobility and transport** (25%) etc. Only 19% of the respondents have reported a high increase in spending for **education and childcare** – which is related to both saving jobs in the sector but also providing

for the IT platforms necessary for distance learning.

If we consider the sectors that have experienced both a high and moderate increase in local spending, supporting the local community and economy, disinfection of public spaces and buildings and social care and protection services are the three top priorities – with 76%, 75% and 70% of the respondents reporting an increase in

spending by more than 10%. The reason why healthcare is a priority sector it is to be related to the fact that spending in healthcare is increased the most in those economies where local governments have extensive responsibilities in the health sector.

It is relevant to notice that in the immediate response to the crisis, some sectors have experienced a high and moderate increase in spending, while in some other sectors there has been a low to a moderate increase in spending. This is expected as the focus in the most immediate outbreak was public health and supporting the most vulnerable.

Besides healthcare, in all other priority sectors identified large shares of SEE local governments most commonly have increased their spending for the sectors moderately by 10-20%. The services/sectors with the “lowest” increase in costs, include awareness raising, the adaptation of administrative services, ICT and two basic communal services like Water Supply and Sanitation and Waste Management. Although it needs to be highlighted that almost equal shares of SEE local governments have also experienced a moderate increase in spending for these same services/sectors.

4.3 Expectations on development of local finances over the short and medium term

According to their experiences with the vast economic impact of the “lockdown”, **most local governments expect a very pessimistic outlook on the further development of finances for the years 2020 to 2022:**

- For 2020 the majority of local governments – nearly 90 % – expects that the crisis will weaken the LGs finances more than 5 %, more than the half even expects a negative effect of more than 15 %.
- In the medium term (2021-2022) the negative effect on the finances for most local governments will still remain high (more than 5 % loss), but nearly one third estimates a remaining weakening effect of more than 15 %.
- Bigger cities tend to see/fear a stronger and longer impact on their finances. More than 40 % estimate still for the years 2021 and 2022 a weakening effect of more than 15 %.

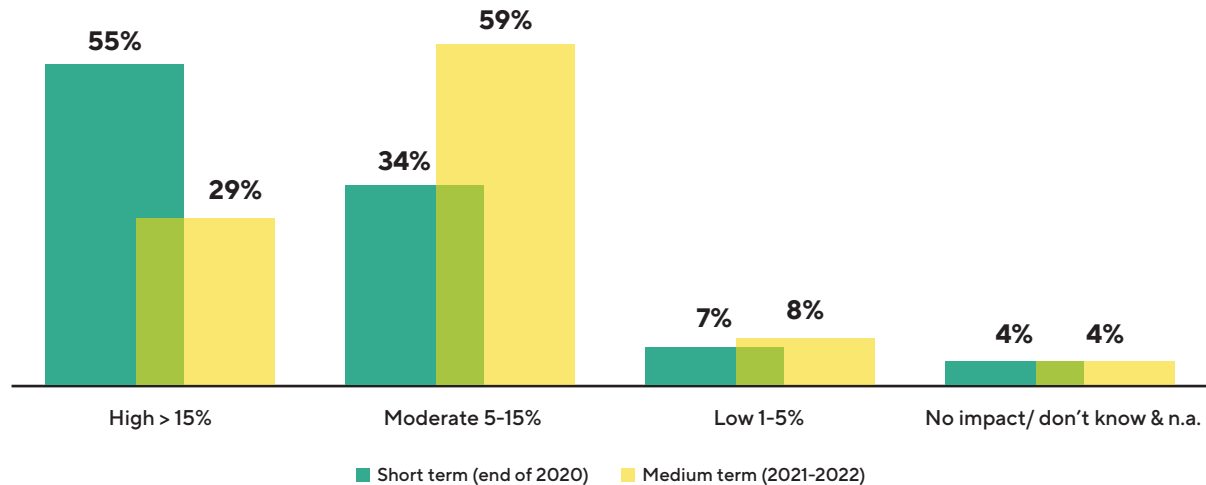
Figure 8 shows the expected impact on local finances over the short term (end of 2020) and the medium term (2021-2022). **Over the short term, 55% of SEE local governments expect that local finances will be reduced by more than 15% in annual terms**, while 29% of the local governments expect a reduction in local finances

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by more than 15% over the medium term. **Over the medium term, most local governments (59%) expect the reduction will be less than 15%. This indicates that the current tendency of reduced financing for local governments is expected to continue also over the short and medium term, although at a slightly more moderated magnitude.** Overall, most local governments expect a fall of more than 15% in their revenues by the end of 2020 and a more moderated fall by 5-15% in 2022.

Figure 9 shows the expected reduction in local budgets per size of local governments over the medium term. **From the perspective of the size of municipalities, when it comes to the very 'pessimistic scenario', it seems that smaller and larger sized municipalities expect a more significant drop in revenues than more middle-sized municipalities** (71% of whom expect a fall of less than 15%). Interestingly, there seems to be few differences in the perception of the LGAs and local governments as regards expected loss in local revenues.

Figure 8 Expected impact on local finances over the short and medium term



Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

South-East European Local Governments in Post Covid-19 Socio-Economic Recovery

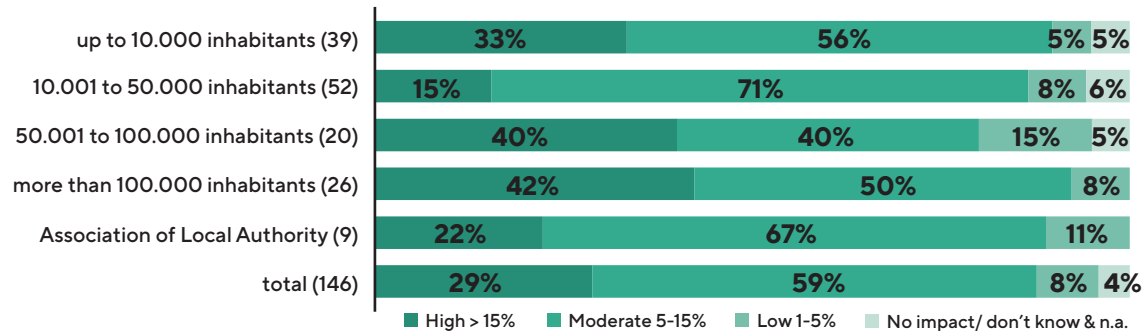


Figure 9 Expected impact on local finances over the medium term per size of local governments

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

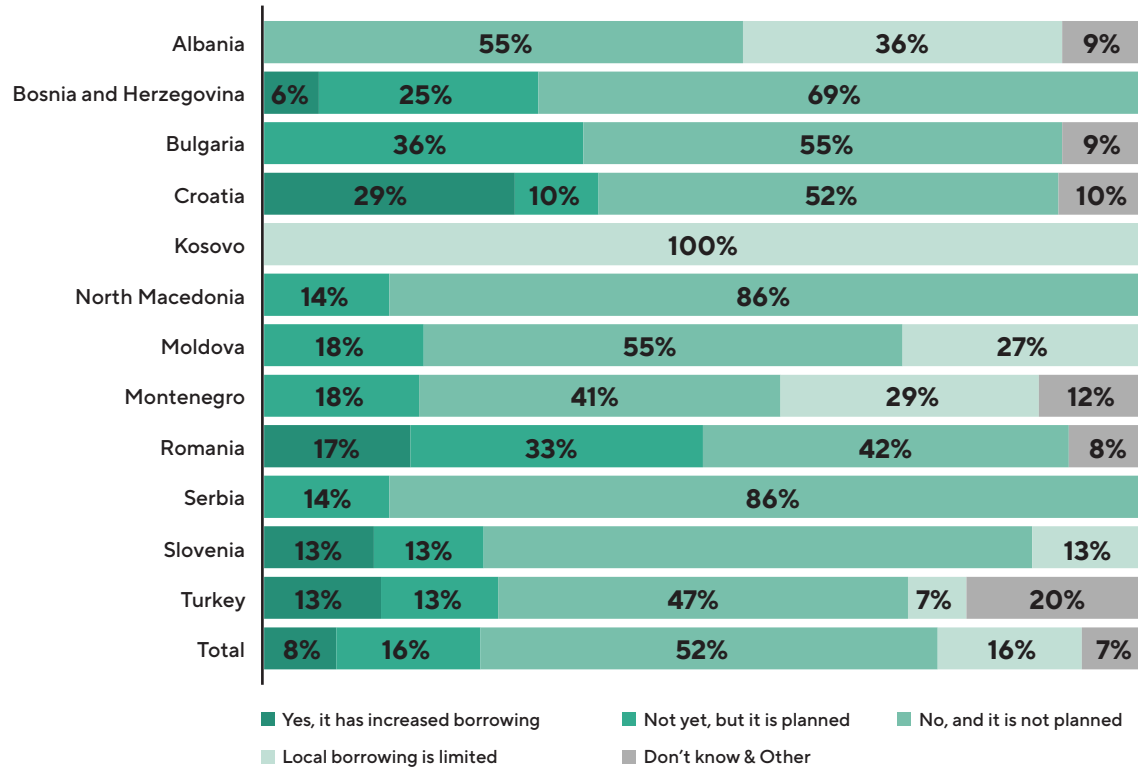
Local borrowing is expected to play a key role in financing the recovery measures of SEE local governments. Figure 10 shows whether SEE local governments have used, are planning to use or not local borrowing as a financing instrument to cope with the crisis. Up to 24 % of all participating local governments have already increased borrowing or are planning to do so. In some economies such as Romania, Bulgaria and Croatia there is an outstanding number (35 – 50 %) of municipalities that have increased their borrowing or are planning to do so. In the other economies this percentage was around 20 %. However, about half of **SEE local governments responding to the Survey (52%) have not increased borrowing and are not planning to do so.** Kosovo local governments responding to the survey have emphasized that local borrowing is limited by higher levels of government. This is a rather common fea-

ture of the local borrowing regulations in SEE economies, with the central government playing a key role on the amount of debt that local governments can access, including the annual disbursements of loans. Figure A2 in the Annex, provides a representation of local borrowing as a financing instrument from the perspective of size of local governments.

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Figure 10 Local government borrowing and the COVID-19 socio-economic crisis Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.



4.4 Estimated impact on SEE local finance over the short and medium term

Based on the SEE local governments' expectations and the data from *NALAS Statistical Brief: Local Finance Indicators for South-East Europe for 2019*, we can create an estimation of the expected shortfall in LG revenues by the end of 2020 and end of 2022. The results of this estimation are shown in Figure 11, separately for SEE and WB local governments. The survey indicates that 96% of SEE local governments expect a revenue shortfall of more than 5%. Using the 2019 as a baseline, we can estimate that a mere 5% decrease in local revenues for 2020 would imply a 2.9 billion Euro fall

in revenues for SEE local governments and a 275 million Euro fall for Western Balkans (WB) local governments. A fall of 10% in local revenues in 2020 (compared to 2019) would imply a loss of 5.8 billion Euro for SEE local governments and 549 million euro for WB local governments. A 15% fall in revenues, implies that SEE local governments would lose 8.6 billion Euro and WB local governments would lose 824 million Euro. If the fall is more than 15%, the effects would be even more severe.

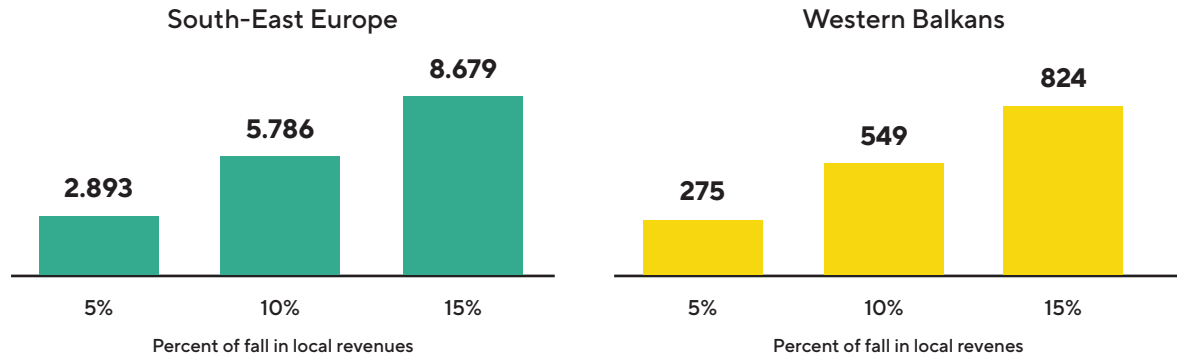


Figure 11 **Revenue** loss for SEE and WB local governments associated with a revenue decrease in the range of 5-15% in 2020 compared to 2019, in million Euro.

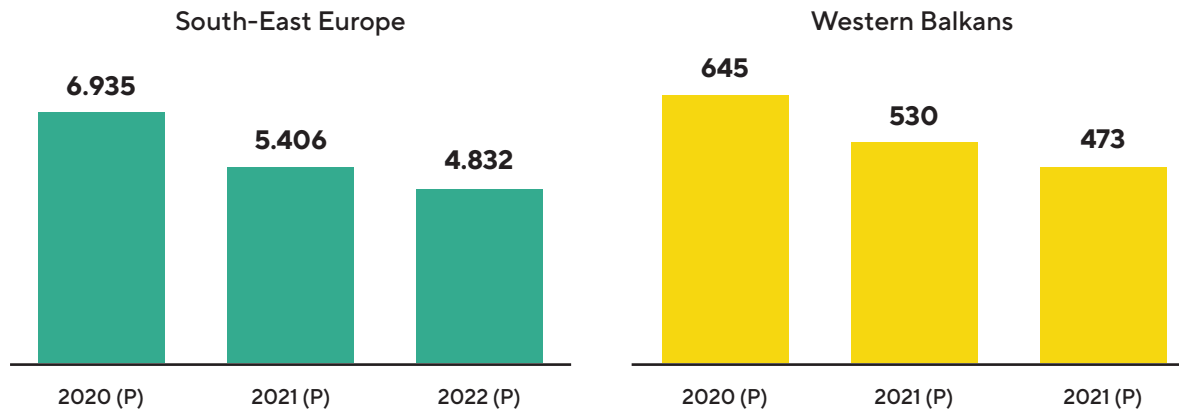
Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020; NALAS Statistical Brief: Local Government Finance Indicators in South-East Europe, 2nd Edition, forthcoming; Authors' calculations.

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Figure 12 below shows the estimated decline in local revenues in SEE and WB local governments by the end of 2020 and the two upcoming years. If the expectations of the SEE local governments that have responded to the survey are realised, assuming they are quite representative of the spectrum of local governments in their economies, it can be estimated that in 2020 only SEE local governments risk losing 6.9 billion Euro compared to 2019 and WB local

governments risk losing 645 million Eur. **This would correspond to a shortfall of 12% in the first year only.** If not reversed by additional policy measures, this tendency may continue and SEE local governments risk losing an additional 5.4 and 4.8 billion Euro in 2021 and 2022 respectively. WB local governments risk losing 450 and 400 million Euro respectively in 2021 and 2022.

Figure 12
Estimated decline in revenues for SEE and WB local governments over 2020-2022, in million Euro



Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020; [NALAS Statistical Brief: Local Government Finance Indicators in South-East Europe, 2nd Edition](#), forthcoming; Authors' calculations.

Overall, cumulatively, by the end of 2022, SEE and WB local governments would have lost 30% of their revenues compared to 2019, for a total loss of 17 billion Euro and 1.6 billion Euro respectively for SEE and WB local governments. The expected change in local finances over the short and medium term for each SEE economy is presented in Figure A3 and A4 and Table A5 in Annex 1.

In the pre-COVID-19 period, local government budgets in SEE grew, on average by 3-8% in annual terms. This would suggest that **in the pre-COVID period local governments would have needed 4 to 10 years to recover from a 30% drop in revenues.** A 30% decrease, would put SEE LGs in a very precarious position, compromising their ability to provide services and finance public infrastruc-

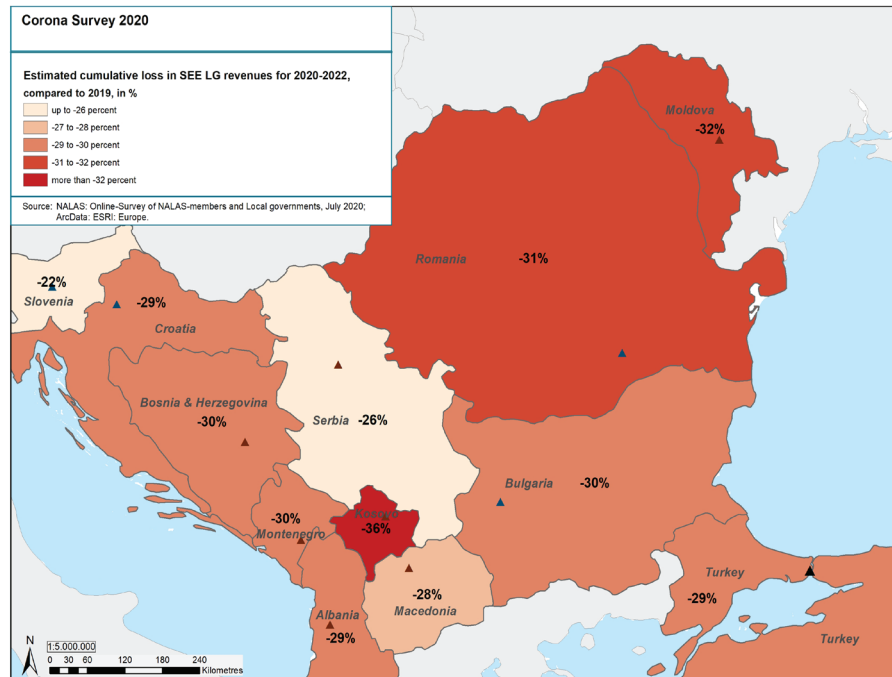


Figure 12.1 Estimated cumulative loss in SEE LG revenues for 2020-2022, compared to 2019, in %

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020; [NALAS Statistical Brief: Local Government Finance Indicators in South-East Europe, 2nd Edition](#), forthcoming; Authors' calculations.

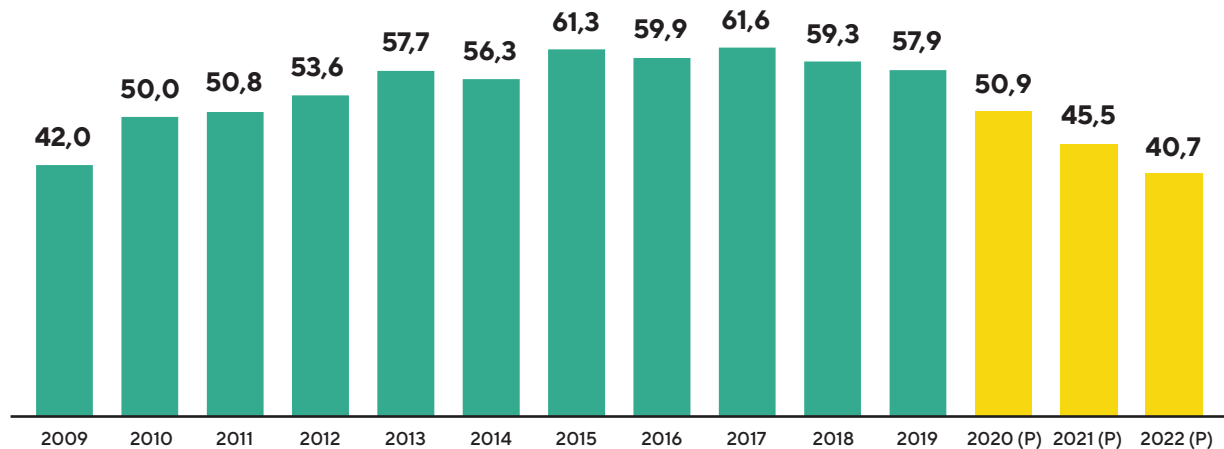
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ture. The implications for different SEE economies are depicted in Figure 12.1, showing the expected cumulative loss in SEE LG revenues for 2020-2022, compared to the baseline of 2019.

Figure 13 and 14 show the actual revenues of SEE and WB LGs for the period 2009-2019 and the projections for 2020-2022 based on their expectations for the fall in revenues. If no additional measures are taken, by the end of 2022, SEE local revenues may fall from 57.9

billion Euro to 40.7 billion Euro, which is lower than in the 2009 at the outbreak of the global financial and economic crisis. If not addressed, this unprecedented crisis, jeopardizes all the successes achieved over more than a decade. It is important to highlight that the declining pattern in SEE LG revenues between 2017- 2019 is driven by the decline of LG revenues in Turkey. If Turkey is excluded from the graph, the pattern is more similar to Figure 14.

Figure 13 LG Revenues in South-East Europe and projections for 2020-2022, in billion Euro



Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020; [NALAS Statistical Brief: Local Government Finance Indicators in South-East Europe, 2nd Edition](#), forthcoming; Authors' calculations.

Similarly, in the Western Balkans, LG revenues could fall from of 5.5 billion Euro in 2019 to 3.9 billion in 2022, which would correspond to local government revenues between 2012-2014.

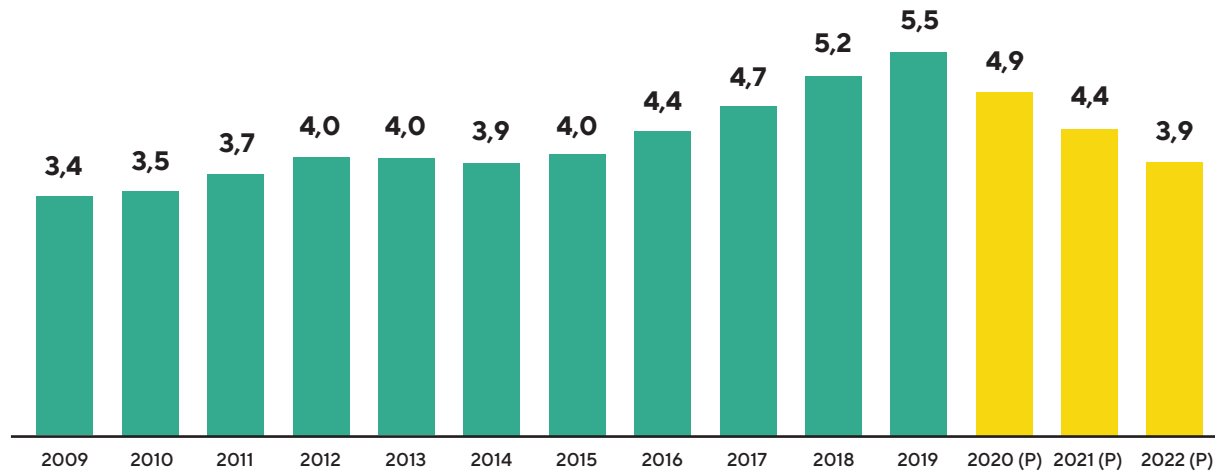


Figure 14 LG Revenues in the Western Balkans and projections for 2020-2022, in billion Euro

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020; [NALAS Statistical Brief: Local Government Finance Indicators in South-East Europe, 2nd Edition](#), forthcoming; Authors' calculations.

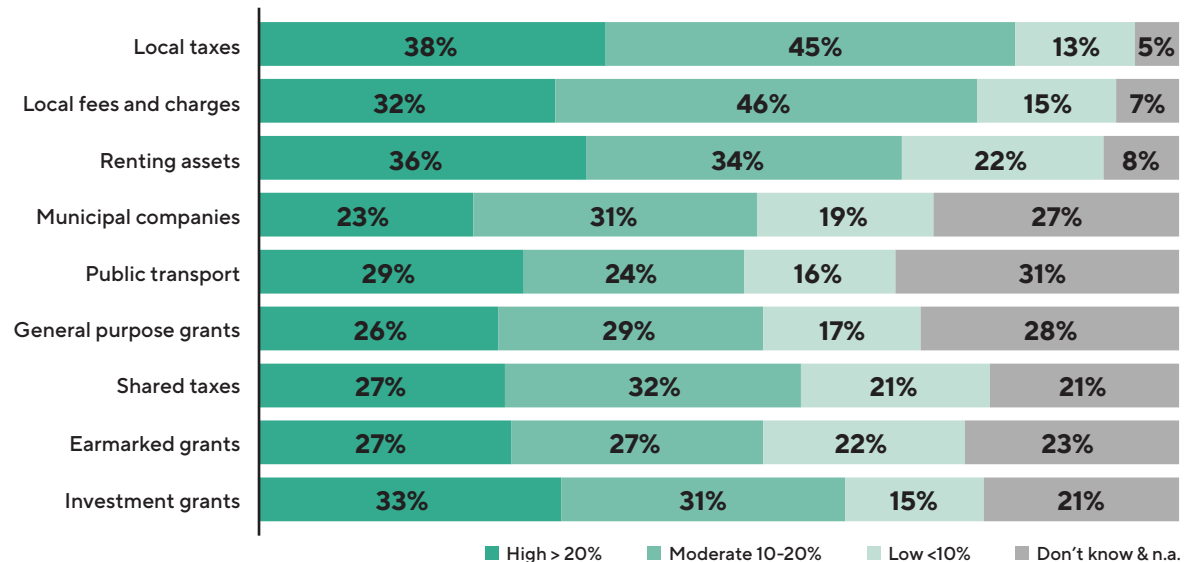
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4.4.1 Expected impact on local government revenues

In this section we provide a more detailed analysis on the expectations of SEE local governments over which revenue items are expected to decline and to what magnitude. Figure 15 shows that **all types of revenues are expected to fall**. A loss of more than 20% in own taxes, fees and service charges as well as in investment grants is expected by one third of the LGs. Another third expects moderate losses between 10 to 20% in these revenue sources.

Overall, **83% of SEE local governments expect that tax revenues will fall by more than 10% over the coming months**; 38% of these local governments expect the fall will be higher than 20%. Similarly, 78% of SEE local governments expect revenues from fees and charges will fall by more than 10%; and 32% of these local governments expect the fall will be higher than 20. Also, revenues from other own local sources such as revenues from rents, municipal companies, public transport etc. are expected to fall over the coming period. Similarly, **55% of SEE local governments expect a de-**

Figure 15
Expected decline in different types of revenue sources over the period 2020-2021



Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

cline of more than 10% in general purpose grants they receive from the national government to perform their basic duties;

more about half of these local governments believe the decline will be even more than 20%. A similar pattern is noticed also for other types of grants from the higher levels of government, including “shared taxes” – as a special form of transfer.

From the perspective of the size of local governments, revenues from local taxes, fees and charges are expected to fall in both small, medium and large local governments – although it seems that the impact on smaller local governments will be higher than in the larger ones. Similarly, a larger share of smaller local governments expects a decline in intergovernmental transfers. On the other hand, **the fall in revenues from rents, municipal enterprises and public transport are expected to be higher in larger local governments.** It also can be noticed that there are some minor differences between the expectations of local governments and their associations. A more detailed representation of these expected changes are shown in Table A6 in the Annex.

4.4.2 Expected impact on local government expenditures

This section provides an overview of the expectations on local government expectations over 2020 and 2021 as regards local government spending. The overall conclusions are as follows:

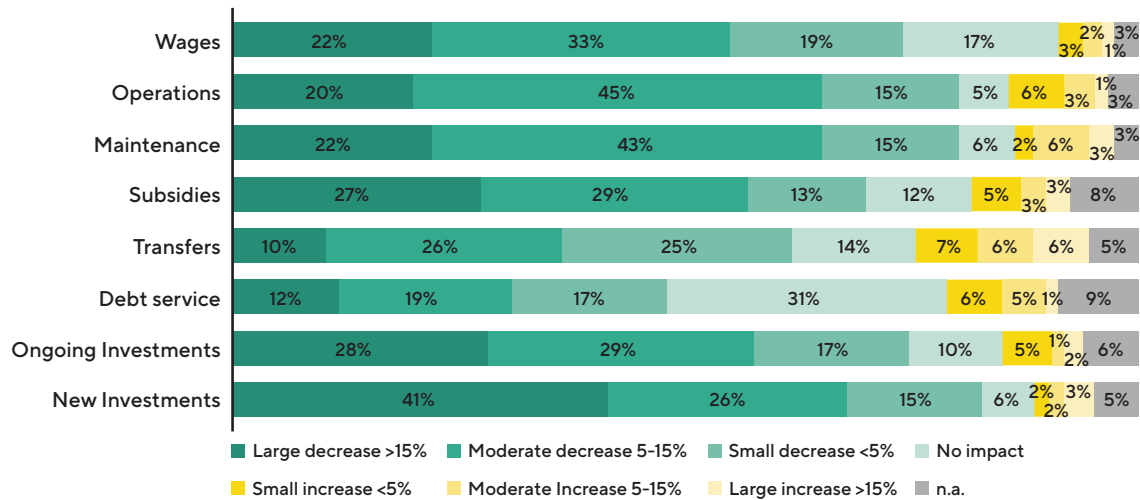
- The corona pandemic will definitely have long-lasting consequences for the LGs budgets and spending behaviour in most economies.
- Costs will rise whereas revenues were collapsed during the peak of the crisis as a direct impact of the lockdown and will remain reduced following the economic struggle of many enterprises.
- Therefore, many local governments plan to cut or postpone investments in order to cover their expenses (in case there will not be any additional funds or revenue raising options offered from higher levels of government).
- Little less than half of the respondents expect a large decrease (more than 15 %) of new investments and an additional quarter at least a moderate decrease concerning local investments.
- At the same time local governments plan to save money by reducing the spending for the maintenance of infrastructures/buildings which implies the risk of a beginning structural decline of public property.
- Although the LGs basically do not want to save costs in the area of cash transfers to individuals and families, the COVID-19 crisis will hit workers and citizens hard as most LGs expect wages/salaries and social benefits to decrease significantly.

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Figure 16 shows the expected change in local government spending categories over the medium term, if no additional funds or revenue raising options are provided from higher levels of government. The data shows that **capital investments will suffer the most from the expected reduction in financing. As regards new capital investments originally planned to be initiated in 2020**, 41% of SEE local governments expect they will fall by more than 15% while 26% of them expect they will fall by a more moderate level of 5-15%. Similarly, also ongoing capital investments are expected to experience a fall -28% of local governments expecting a large decrease and an-

other 29% expecting a moderate decrease. The third item expected to experience the strongest decrease is subsidies for municipal enterprises, cultural and sport institutions etc. **Spending for particular types of recurrent expenditures such as for salaries and the general operational maintenance, are expected to decline also, although given their higher natural rigidity, the decrease is expected to be more moderate than strong.** However, 17% of SEE local governments expect that spending for salaries will not change, and in less than 10% of them it is expected to increase.

Figure 16 Expected impact on local government budgets over the medium term



Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

Spending for cash transfers to individuals is expected to decrease although at a much slower scale in about 60% of local governments, while in 14% of them it is expected to not change and in 19% is expected to increase. Spending for servicing local borrowing and debt is mostly expected to increase in 31% of SEE local governments, while in 48% of them expected to decline.

As regards new investments, the negative scenarios particularly affect Bosnia & Herzegovina, Bulgaria, Albania, Moldova and Montenegro, while Slovenia seems to be an outlier not expecting a decrease in investments more than 5%. The expected impact in the decline of ongoing investments and new investments is provided in Figure A5 in the Annex.

From the perspective of individual economies, the impact of the crisis on investments seems to be lower in Slovenia. On average LGs budgets will be higher affected in all listed categories in Kosovo, Bulgaria, Montenegro as well as in Serbia particularly with respect to investments. Spending for salaries, operations and general maintenance is expected to experience a higher fall in Kosovo, Montenegro, North Macedonia and Bulgaria. From the perspective of size, it seems that medium-sized LGs with a population between 50.000-100.000 inhabitants expect to experience the higher decline in all spending categories, followed by smaller municipalities with a population of 10.000-50.000. The expectations over a decline in spending categories seem to be similar in smaller (less than 10.000 inhabitants) and larger (more than 100.000 inhabitants) local gov-

ernments. Larger and more urban local governments perhaps plan or expect to maintain spending levels with debt financing. Table A8 and A9 in the Annex, show the expected impact on local government spending on individual SEE economies and clustered per the size of local governments.

4.5 Local government spending priorities for 2020 and 2021

The current challenges faced by local governments and local communities are expected to persist also for the second half of 2020 and 2021. However, in general the expected cost increase will decrease in the midterm by average 10-15%.

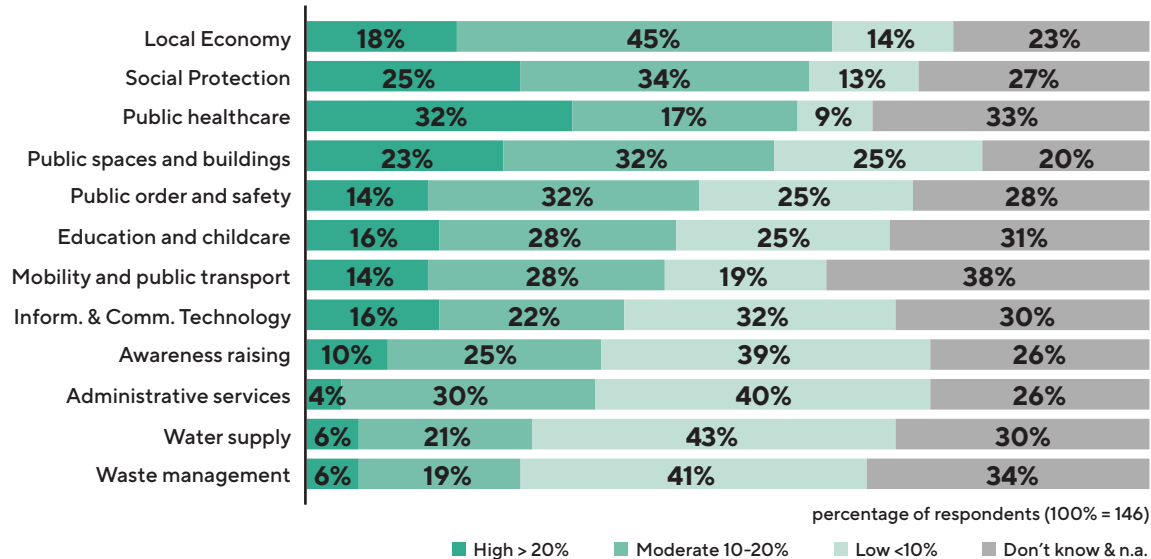
Figure 17 shows the expected priority sectors for SEE local governments for the second half of 2020 and 2021, for which they expect to increase spending. The figure shows that **the top five challenges and priorities of SEE local governments remain, public healthcare, social care and protection, support measures for the local community and local business and disinfection of public spaces and buildings.** 40-60% of the municipalities expect higher costs of more than 10% for these services. On average, one third to half of these municipalities expect an increasing of the costs of more than 20%. **Among the sectors expected to require a high increase in spending healthcare remains at the top** - with 32% of the respondents expecting they will need to increase spending by more than 20% - followed by social care and protection services for the most vulnerable (25%, including childcare, elderly care, res-

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idental care etc., public space and building disinfection (23%), and support measures for the local community and businesses. If we combine, the priority sectors expected to require an increase in spending by more than 10%, it can be noted that **supporting the local community and local businesses** is the top priority for 63% of the respondents. Social care and protection services, healthcare and disinfection of public spaces follow with rather similar shares of local governments.

Figure 18 shows the sectors that have required an increase in spending by more than 10% in the immediate response period of March-June 2020 and the sectors expected to require increased spending in coping with the crisis during the second half of 2020 and 2021. The chart confirms that **challenges are expected to persist and that the priority sectors will be rather similar**. On average, a relatively smaller share of local governments expects to increase spending by 10% - indicating the expectations for an improvement

Figure 17 The sectors that are expected to require an increase in spending by the end of 2020 and 2021



Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

of the situation, even if rather slow. Perhaps the main changes in the expectations are related to the spending for the disinfection of public spaces and buildings – in the immediate response period,

75% of local governments have increased spending for this purpose, while the share of local governments expecting to increase by more than 10% spending for the sector falls to 55%. Similarly also the share

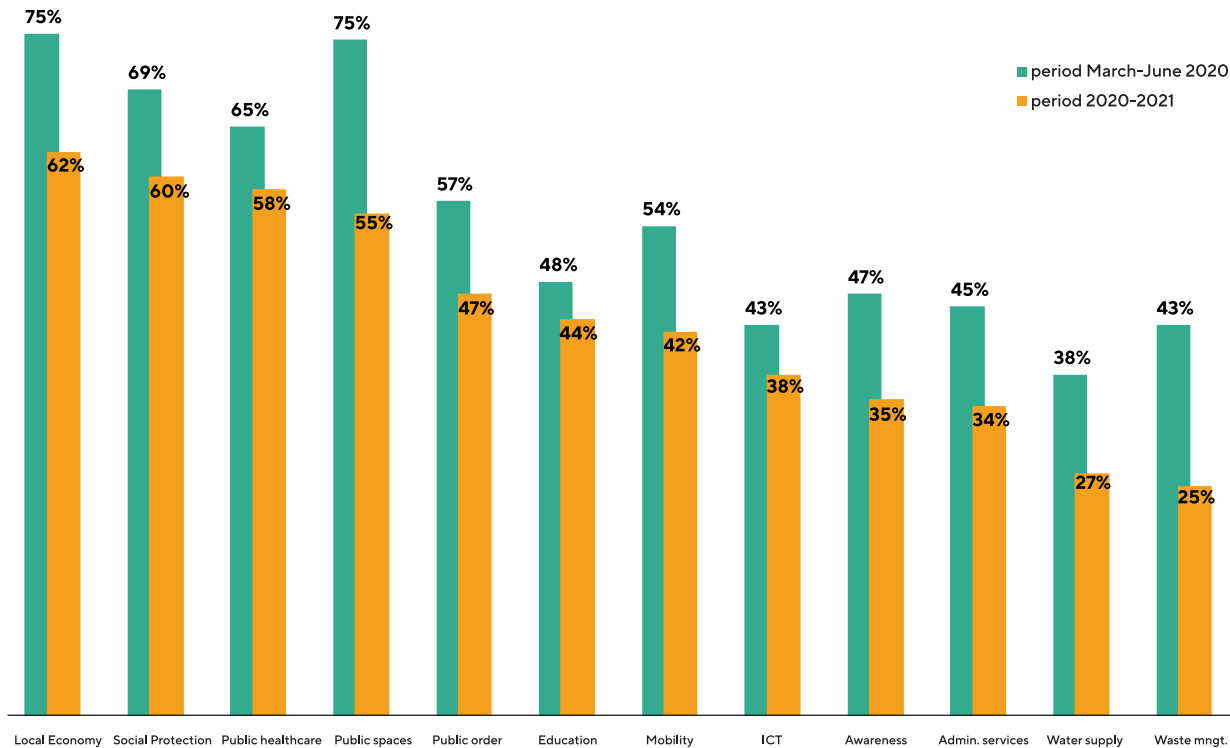


Figure 18
Comparison of spending priorities in the immediate outbreak and expectations for the second half of 2020 and 2021

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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of local governments expecting to increase spending to supporting the local community and businesses, seems to drop from 75% in the immediate response period to 62% for the remaining period until 2021.

Focusing on differences in individual economies it needs to be taken into consideration that not all competences over these priority sectors lay on the local level in all economies. It is visible that Kosovo and Moldova are affected above average and that public healthcare is a communal task which is challenging the most economies (BiH, Kosovo, Moldova, Romania, Slovenia) followed by social services and education (both in Kosovo and Moldova). Indeed, in these economies, local governments have higher and costlier responsibilities in education, social protection and healthcare than in other SEE economies. The expected spending priorities per individual economy and size of municipalities are provided in Table A9 and Table A10 in the Annex.

5. SOCIO ECONOMIC RECOVERY MEASURES UNDERTAKEN BY LOCAL GOVERNMENTS IN SOUTH EAST EUROPE

The social, economic and financial impact of the COVID-19 pandemic will stretch over the medium and long term and will pose significant challenges for local and national governments in the years to come. Efforts at national and local level must now focus on measures aimed at managing the social, economic and public finance crisis. These include economic recovery policies, support for SMEs, public investment incentive plans, targeted measures for the most affected areas, or most vulnerable groups, policies to support the compensation of reduced local revenues and increased costs, municipal debt management, reorganization of the administration and staff providing public services, reorganization of coordination mechanisms between different levels of government for crisis response.

The types, the consistency and the timing of the recovery measures expected to be adopted and implemented in the coming months, will play a crucial role in the social and economic recovery. Clearly, local governments have a key role in successfully designing and implementing such recovery strategies as they are best positioned to better and more quickly understanding the local community needs.

5.1 The focus of local socio-economic recovery strategies

SEE Local Governments and their associations have been leading the efforts for the socio-economic recovery of their local communities and economies. Figure 19 shows that about 40% of the local governments and local government associations in SEE have adopted and are implementing local strategies for the socio-economic recovery of their community.

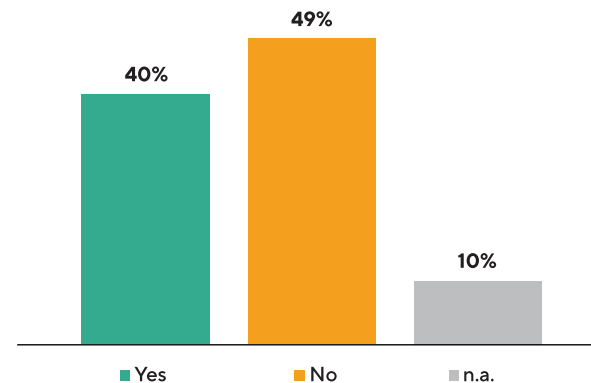


Figure 19 LGs and LGAs that have prepared or approved a recovery strategy

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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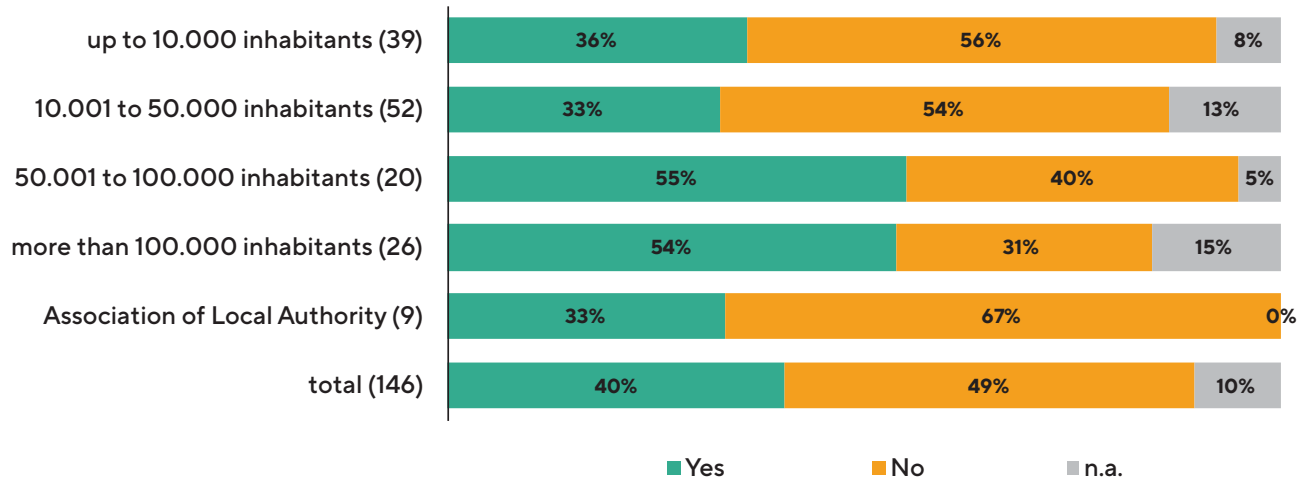
Figure 20, shows that **larger sized local governments have been more active in preparing and adopting official and structured recovery strategies than their smaller counterparts.** On average, over 50% of the larger local governments responding to the survey have adopted a strategy versus 33% and 36% of smaller and medium sized local governments. The figure also shows that only a third of local government associations have adopted strategies for local governments for the socio-economic recovery. It is important however to note that, this section includes only information about a formal, official and structured strategy being prepared and implemented by a municipal council or the executive board of a local government association. SEE local governments have adopted specific

initiatives and measures in support of their local communities and economies, although these may not be included in a formal document consolidating all types of measures.

Core elements of existing LGs/associations recovery strategies are the support of local economic actors most affected by the crisis as well as of vulnerable groups with increased/improved social services. **More than two thirds** of the recovery strategies cover these measures. On the other hand, there seems to be less focus on climate protection measures in recovery strategies considering the area of mobility change and public transport programmes as well as measures for women needs (**less than one third of strategies**).

Figure 20 LGs and LGAs that have prepared or approved a recovery strategy – regarding the size of LGs

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.



Solidarity, increased but improved spending, coordination and planning also are at the core of SEE local governments' efforts to lead their communities out of the crisis.

Figure 21 shows the shows the key areas of intervention of SEE local governments' strategies and efforts in terms of socio-economic recovery. **The recovery will start at the local level with and from the**

local economic actors: 84% of the responding SEE local governments have implemented or plan to implement measures to support local economic actors most affected by the crisis, in particular self-employed, craftsman, small and medium enterprises, including informal workers. Key sectors include also promoting agriculture and tourism.

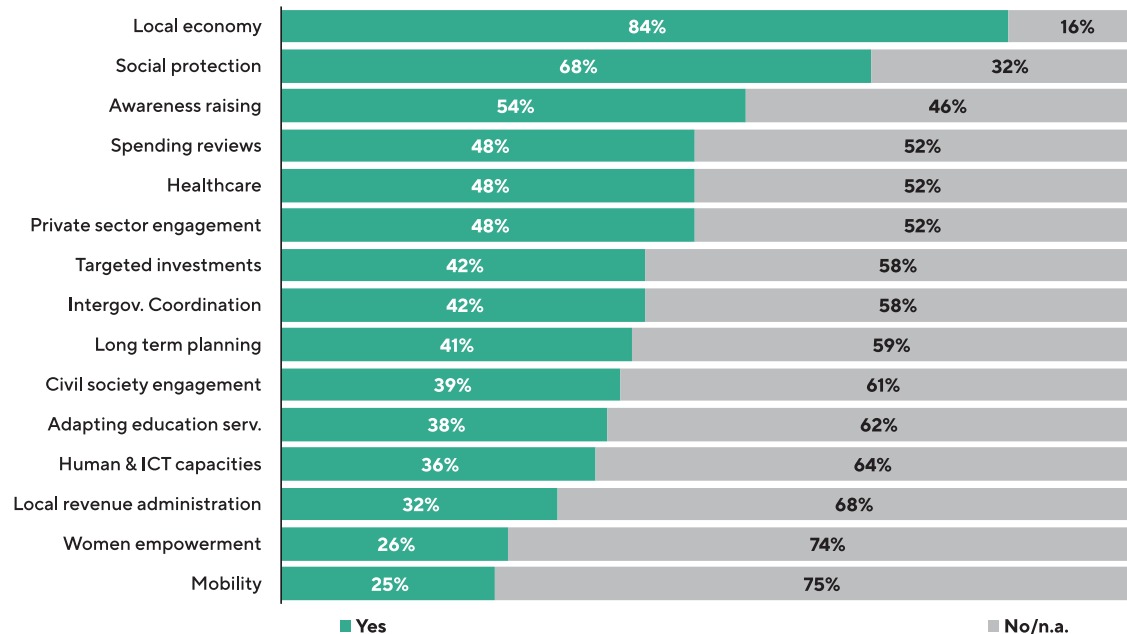


Figure 21. Key areas of intervention of SEE local governments' strategies in terms of socio-economic recovery

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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Local efforts aim at leaving no one behind – 68% of the responding SEE local governments have implemented or plan to implement support measures in social protection and care for the most vulnerable, including childcare, elderly care, residential care, support for those living in poverty, the unemployed, or those facing higher risks of unemployment etc.

Awareness raising also remains a key element of local strategies to ensure public health, protect local communities and economies: 54% of the responding SEE local governments are including raising awareness as a key element in their strategies or socio-economic recovery measures.

Other very important elements for the local socio-economic recovery strategies include **spending reviews to increase the efficiency and effectiveness of existing spending policies**. This is crucial to prioritizing the utilisation of scarce resources to the most productive ways. About half of SEE local governments responding to the survey report to have reviewed or plan to review their existing spending policies to reduce inefficiencies and create space for the support of the socio-economic recovery measures. **Providing for additional healthcare** was already identified as a key to SEE local governments in securing public health and reducing impacts for the local communities. **Coordination and partnership with the private sector** is crucial both in streamlining public and private efforts but also in determining key priority areas. SEE local governments consider the **development of local public infrastructure**

and **capital investments** as very important to creating a push for local economic activity and consumption. Targeted capital investments play indeed a key role and integration with regional and national networks could further facilitate trade and economic activity. From this perspective, **long term planning** and **coordination with different levels of government and stakeholders, including civil society** will be critical for the successful recovery of local communities. Other important measures that will facilitate the recovery phase include the **strengthening of local government capacities** and **local ICT infrastructure** in support of digitalization of specific services, and **improving local revenue management**. At the same time, adapting the provision of **education services**, in both urban and rural areas as well as changing **transport and mobility plans**.

Local government perspectives on areas of intervention where there are no official local level Social and Economic Recovery Strategies.

In those economies where there no official strategy exists at the local level, SEE local governments consider the following as key aspects that should be addressed: LGs are financed through tax and non-tax revenue. Both can (according to BiH) be significantly increased by strongly **promoting the local economy**. However, since the LGs have only limited competences, more **financial decentralization** is needed, as many LGs from all economies say. More **functional decentralization** is also asked, in particular in education. All economies surveyed stated that they want to **support** private companies,

especially **SMEs** and agricultural enterprises that are most affected by the crisis. Tourism, which had to suffer major losses in many places, should also be boosted again.

Furthermore, many of the LGs surveyed (Croatia, Macedonia, Romania, Bulgaria, Moldova) state that they want to promote **education**, both in urban and rural areas. They also want to expand the **healthcare system** pretty much everywhere (Macedonia, Romania, Montenegro, Croatia) and give all citizens equal access to it. A re-

covery strategy will also need to help particularly **vulnerable people** and **women** in the crisis.

All of this, according to some LGs (Slovenia, Bulgaria, Moldova) to be implemented through a **long-term plan**.

Figure 22, shows the considerations of SEE local governments on key aspects that should be addressed in those cases where there are no official local social and economic recovery strategies. Sup-



Figure 22. SEE local governments' proposals for socio-economic recovery measures in economies that have not adopted recovery strategies

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

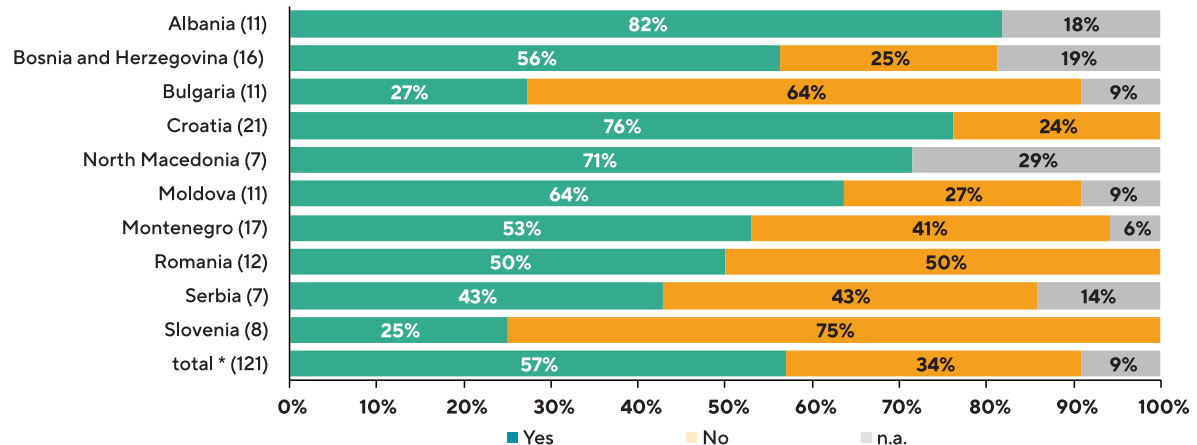
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port to the local economy and support to the local community is one of the main proposals from SEE local governments, along with increased spending for social protection and care, advancing (fiscal decentralization), supporting targeted investments at the local level and support local governments improve local revenue administration. Additional measures proposed by SEE local governments to be considered by national governments that have not adopted a social and economic recovery strategy include increased spending for healthcare, adaptation of education services, helping conducting spending reviews to increase local budgets efficiency and effectiveness. Similarly, the development of ICT technology is also very important and related to public service delivery, remote working and distance learning.

5.2 Consideration of gender specific needs and challenges

The COVID-19 crisis has exacerbated challenges faced by women in a multitude of dimensions. The majority of local governments reported to consider the special needs of women. In total, 57% of the respondents reported that they consider the gender specific needs and changes of women when designing and implementing COVID-19 response measures. In their responses, local governments have provided support for women in the form of support for vulnerable groups. In some cases, when delivering this type of support a higher priority was given to single mothers at risk of poverty. The second largest type of support has been to scale up systems for preventing domestic violence, abuse etc. Other types of support

Figure 23 Local governments that have considered the gender specific needs and challenges of women when designing COVID-19 response measures



Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

provided by local governments that address the specific needs of women include support for female entrepreneurship, support with childcare, expanded maternity leave, increased payments during maternity leave etc.

Figure 23 shows % of local governments from individual economies that have considered the gender specific needs and challenges of women when designing COVID-19 response measures, while Table 2 shows the concrete measures undertaken by local governments in individual economies to address women immediate needs.

	respondents which have undertaken following measures - %age										
	Albania (11)	Bosnia and Herzegovina (16)	Bulgaria (11)	Croatia (21)	North Macedonia (7)	Moldova (11)	Montenegro (17)	Romania (12)	Serbia (7)	Slovenia (8)	total (121)
Cash transfers to vulnerable groups	45%	38%	18%	57%	14%	27%	41%	8%	29%	13%	33%
Provision of food and hygiene products	91%	38%	18%	62%	86%	64%	47%	42%	43%	13%	50%
Donation of protective materials	27%	44%	18%	62%	57%	64%	29%	42%	43%	0%	40%
Support with childcare/other care services	55%	44%	18%	67%	43%	36%	41%	33%	29%	25%	42%
Supporting services for victims of gender-based violence/domestic violence	45%	6%	0%	10%	29%	9%	12%	8%	14%	13%	13%
average %age	53%	34%	15%	51%	46%	40%	34%	27%	31%	13%	36%

Table 2
Measures undertaken by local governments to address women immediate needs

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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5.3 Selected practices adopted by local governments in South-East Europe to support the social and economic recovery of local communities

To help creating a better understanding of the impact and identify successful social and economic recovery measures, to inform the advocacy efforts of LGAs and local governments with regional experiences, NALAS has collected 79 selected recovery measures and practices adopted by 31 SEE local governments to support their communities and economies.

The practices are presented in six main clusters:

1. Economic Support and Fiscal Relief Measures
2. Social Care and Protection
3. Ensuring Citizens Healthcare
4. Digitalisation
5. Crisis Management and Volunteering
6. Education

Figure 24
Types of recovery measures adopted by specific SEE local governments

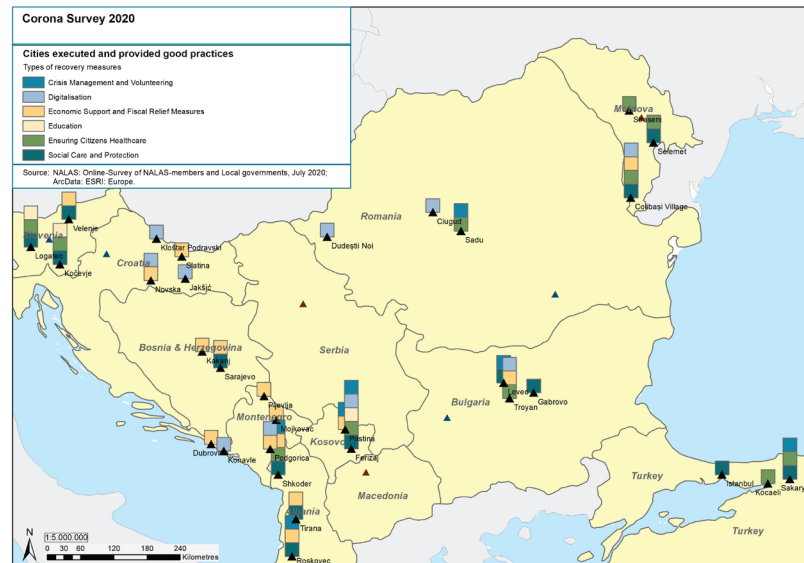


Figure 25 shows that, overall, 30% fall under the **Economic Support and Fiscal Relief Measures** cluster, about 28% under **Social Care and Protection**, and about 16% under **Ensuring Citizens Healthcare** and 13% on **Digitalisation**. The right-hand side of the figure shows the number of LGs that have adopted such measures.

Within the cluster of economic support and fiscal relief measures the core activities mentioned by the survey respondents have been reducing or deferring the payment of local taxes and fees, granting exemptions from rents for real estate (business premises and land) owned by the municipalities, providing grants and subsidies to businesses and the agricultural sector, promoting tourism and offering free consulting services, in particular for small enterprises.

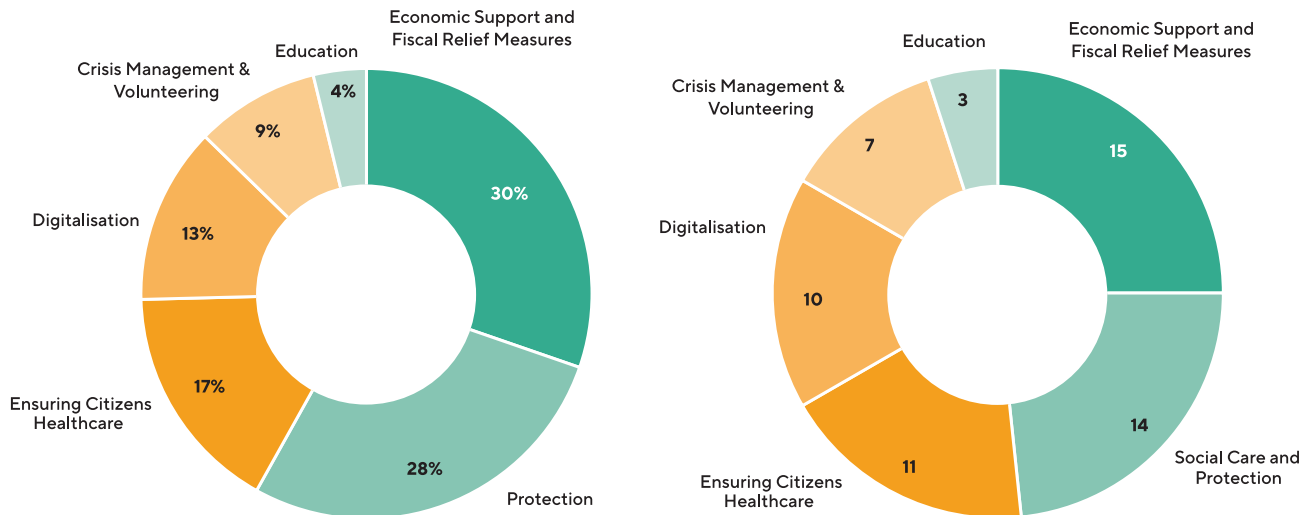


Figure 25
Focus of socio-economic recovery measures and practices adopted by SEE local governments

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020

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With a total of 22 practices, social welfare and protection measures have been the second most activities undertaken by the surveyed SEE local governments to fight the crisis. Particular attention was paid to vulnerable people such as high-risk groups, the elderly, women or children. The provision of free food packages and medicine supplies were also among the priority actions. In this context, volunteering has played a crucial role in fulfilling these tasks.

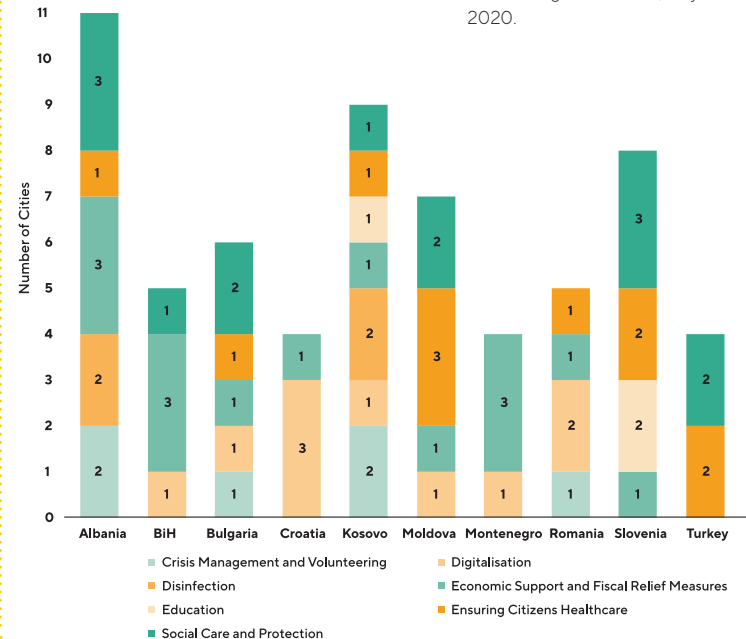
Providing mental healthcare support to citizens and delivering protective equipment, in particular to healthcare workers, along with the disinfection of public places and buildings have been the main measures for protecting health and ensuring healthcare in the municipalities.

SEE local governments' measures within the clusters of digitalisation and education range from newly established digital municipal services to support and communicate with citizens to the provision of IT equipment and online learning assistance to facilitate distance learning for schools. In addition, special online services for businesses have been implemented.

In the area of crisis management, the main focus was on setting up municipal emergency management committees.

Figure 26
The types of recovery measures adopted by SEE LGs across SEE.

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.



5.3.1 Economic support and fiscal relief measures

Economic Support Packages

The Municipality of **Kakanj** (Bosnia and Herzegovina), has taken measures to support the local economy respond to the challenges brought by the lockdown from the pandemic. The municipality has put in place a **program to help small businesses with up to 10 employees preserving jobs** by co-financing part of the social contributions to the minimum wage and co-financing of utility bills. It has also adopted fiscal relief measures, granting exemptions for local fees and charges.

The Municipality of **Novo Sarajevo** (Bosnia and Herzegovina), has implemented measures to support **preserving employment** through public call: **Co-financing of employment** - "Job for All"; Co-financing of self-employment; **Subsidising loan processing costs and interest rates** to private companies and entrepreneurs; Financial support for self-employed entrepreneurs; One-time assistance for demobilized war veterans; Assistance to public cultural and sports institutions.

The Municipality of **Troyan** (Bulgaria), organises **targeted consultations with business sector and entrepreneurs** to identify the most appropriate approach to limit the negative impact of the pandemic. The Advisory Council for Economic Development is also

engaged to seek good solutions and continue to work together to recover faster from the effects of the pandemic.

The Municipality of **Prishtina** (Kosovo), adopted **two economic support packages** at the outbreak of the pandemic to purchase food, hygienic and medical supplies, finance disinfection of public spaces, subsidies for the wages of staff from municipal companies (transport, public utilities, road maintenance etc.), subsidies for the wages of staff in kindergartens, subsidies for the municipal parking agency, and subsidies for the sport clubs, and local theaters. Prishtina also established a program for **grants for the self-employed, local businesses and small and medium enterprises** who have lost income as a result of the restrictive measures.

The City of **Dubrovnik** (Croatia) decided to launch a measure of **temporary financial assistance with co-financing the rent of housing to families living in tenancy**, whose members lost their jobs during the crisis. This measure was provided from April- June 2020. Beneficiaries had previously had to meet social criteria to use the measure. A family that are tenants are granted a maximum of 600€. Due to the COVID-19 crisis, many citizens in Dubrovnik have lost their jobs, notably seasonal workers/employees in the tourism

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industry. Unemployed citizens living in tenancy are particularly vulnerable as this affects the ability to cover the costs for housing.

The Municipality of **Pljevlja** (Montenegro) has provided **subsidies to public utilities, businesses and the agricultural sector** to mitigate the negative effects of the pandemic.

The City of **Podgorica** (Montenegro), recently **established the Council for the Improvement of the Business Environment** in order to further encourage economic activities. The Council's activities are aimed at coordinating the activities of local government bodies and other competent institutions in order to implement priority reform measures and to improve the business environment. Since the establishment of the corporate council coincided with the outbreak of COVID 19, the council also deals with the impact of the pandemic in its work.

The Village of **Colibasi** (Moldova), established the **local brand "With love from Colibasi"**, under which local producers were able to sell their products via online markets with delivery to the homes of the costumers

Fiscal Relief Measures

The Municipality of **Troyan** (Bulgaria), has adopted fiscal relief measures to support the local economy and community by helping saving jobs and preserve citizens wellbeing. Most importantly, the

municipality has granted **exemption to tenants of non-residential municipal properties**.

The Municipality of **Prishtina** (Kosovo), also adopted fiscal relief measures, **reducing or deferring the payment of local taxes and fees**, including rent obligations for tenants of municipal public companies, or operators utilizing public space.

The Municipality of **Tirana** (Albania), adopted fiscal relief measures through various **tax exemptions and deferring the payment of local taxes and fees** until august 2020 instead of April 2020. In particular it has **eliminated the hotel accommodation tax** to incentivize the sector, but also other specific taxes and fees for other target groups that have been affected the most by the crisis. The municipality of **Shkoder** (Albania) has also adopted fiscal relief measures, **exempting local SMEs, microenterprises, self-employed and NGOs from local fees for a period of three months, and exempting socially vulnerable categories for six months**. Additionally, also the deadline for the payment of local taxes and fees has been postponed to September 30th, 2020, instead of April.

The Municipality of **Mojkovac** (Montenegro), **deferred liabilities due to the local municipal taxes and rental payments** three months and until the end of 2020 for those, whose core business had been suspended by the (lock down) measures enforced by the entitled bodies due to the pandemic. Furthermore, a partial exemption was granted for the annual fee required for the use of commer-

cial facilities with street access. Also, forced collection of tax liabilities and arrears on all own revenues will not be made to the entities impacted by the measures.

The Municipality of **Pljevlja** (Montenegro) adopted a set of **tax related measures** such as **postponing the payment of surtax to the personal income tax** for the months March-May 2020, reducing the local communal charge determined on the basis of occupation of the public space, releasing the rent payments for a period of 90 days to tenants of business premises or land owned by the municipality and suspending temporarily the land development fee for facilities that could not carry out their regular activities due to imposed COVID 19 measures of the Government.

The City of **Podgorica** (Montenegro), adopted a **set of measures to support the economic recovery and ensure the sustainability of local public finances**. The measures are aimed at reducing current expenditure, guaranteeing capital investment projects by creating better conditions for contractors and supporting economic units by postponing the surtax on PIT. In addition, several fees and street fees have been reduced, and companies have been exempted from renting business premises and some other local fees and communal services.

The Municipality of **Velenje** (Slovenia), **adopted fiscal relief measures** by granting exemptions from rents for real estate (business premises and land) owned by the municipality

Promoting Local Tourism

The Municipality of **Tirana** (Albania), and several Albanian speaking municipalities in the region have taken active measures to promote local tourism, targeted to the Albanian diaspora in the world, under the call “Come to your home”. Albanian internationally renowned artists have joined and further promoted the initiative to support local tourism economy. The initiative was a cooperation with the Union of Albanian Municipalities in the Region.

The Municipality of **Troyan** (Bulgaria) is **consulting with the local touristic sector to discuss possibilities for support**. Two main goals were outlined: **active advertisement campaign and activation of event tourism**. The slogan of the campaign **“Preserve Troyan in your hearts”** envisaged a series of events bringing more tourists to the municipality and increase revenues in local hotels, restaurants and shops (consistent efforts of the municipality to preserve employment and income). In addition, a “Crafts Street” will be periodically organized to promote local craftsmen and their products.

The Municipality of **Kočevje** (Slovenia) created a programme **“Poletje na Kočevskih terasah”** (engl. **“Summer on the terraces of Kočevje”**). Municipality together with The Public Institute for Culture and Tourism Kočevje, decided on development of a new concept, both due to the consequences of the coronavirus epidemic and desire to offer more local events and consequently to help local

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tourism in economy. The project's goal is to expand tourist entertainment events (that would be held in terraces or open spaces of restaurants in the summer) at several smaller locations in entire municipality. It also reduces the possibility of gathering of more people at the same.

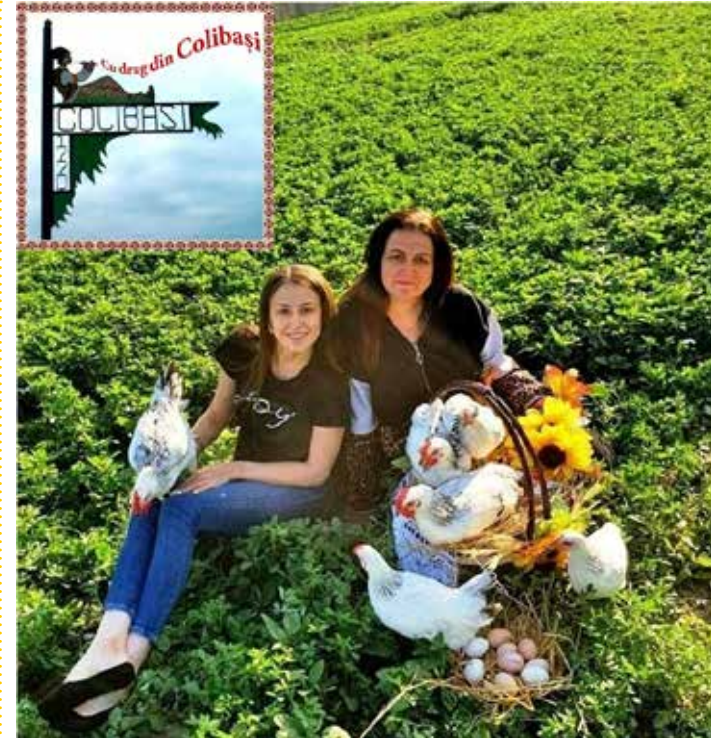
Supporting agriculture and local economic development

To support local farmers the Municipality of **Roskovec** (Albania), with the support of the EU and UNDP, launched a **program for sustainable agricultural development** which will provide small farmers with seeds, organic fertilizers, and other agricultural support.

The Municipality of **Prishtina** (Kosovo) also has taken active measures to support local farmers, by equipping farmers with **Farmer Certificates** (NIF) for carrying out agricultural activities and has provided them direct assistance with medical equipment for the agricultural sector.

As farmers' markets were closed during the lockdown, the city and the Development Agency of **Novska** (Croatia) launched an **online farmer's market on Facebook**, where local farmers could offer their products. The Facebook page is still running, despite markets are open again.

The Municipality of **Mojkovac** (Montenegro), has provided citizens and businesses/economy support to buy planting material for own



production in order to mitigate the worsened income situation due to the pandemic, under the title **"We plant for our good, to be fed by our country"**.

Planning recovery

During the lockdown from the COVID-19 pandemic, many companies experienced declining revenues, jeopardizing their business. Many local entrepreneurs needed help in applying for public funding. Thus, the City of **Slatina** (Croatia) decided to offer **free consulting services** of its local development agency to support the preparation for application, thereby raising the chances of entrepreneurs to obtain funding. The Development Agency of Slatina estimates that more than 300 entrepreneurs used this service that was mainly provided via email and telephone during this period.

Similarly, the Municipality of **Troyan** (Bulgaria) provided **free consultations for the small local business** applying under the project for SMEs support in the COVID context, announced by the government. There is readiness to provide support also to medium sized enterprises.

The Municipality of **Kočevje** (Slovenia) is preparing together with Kočevje Business Incubator and The *Kočevje Ribnica Development Centre* local measures to help companies, entrepreneurs and craftsmen („Kočevje measures“).

5.3.2 Digitalisation

Digitalisation of municipal services

The City of **Podgorica** (Montenegro) established **free channels of communication with its citizens**, with the aim to reduce the number of visitors to the premises of the Capital on the minimum. Citizens could request all the necessary information through especially open communication channels - by phone at the toll-free or by e-mail. The prompt switch on already established **public digital services** at the beginning of the crisis saved citizens' time and, most importantly, preserved their health. It was made possible for the citizens to use Internet services instead of to make personal appointments or to visit the counter, public institutions or administrative bodies. In addition, the capital city of Podgorica created a **new website** which provides fully information for tourists, citizens, investors and their stakeholders about all the procedures carried out by the capital with appropriate forms which must be filled in without coming to the city premises.

The Commune of **Dudeștii Noi** (Romania), launched the **digital platform „Primaria Ta - Online” (Your City Hall - Online)**. Through this instrument any document, any request the citizen wants to submit to the mayor's office and other offices in the City Hall, can be sent from the computer or from the mobile phone, without having to go to the local government headquarters. Now, citizens can select the type of document they need, can upload the

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necessary documents online, can sign digitally and pay any fees using the platform ghiseul.ro. Then, a town hall official would analyse the documents, reply also in the form of an e-mail, with an electronic qualified signature. The functions available on the online platform „Primaria Ta – Online” are:

- Submit online requests/ documents;
- Pay your taxes and fees online;
- Pay your penalties;
- Submit suggestions/ complaints;
- Local official monitor;
- Online audience with the mayor.

The Municipality of **Troyan** (Bulgaria), introduced preferential conditions for administrative services: 1) free of charge e-services to stimulate the use; 2) the majority of standard services (except those under the Spatial Development Act) were performed as accelerated or express services, while the fee remains unchanged.

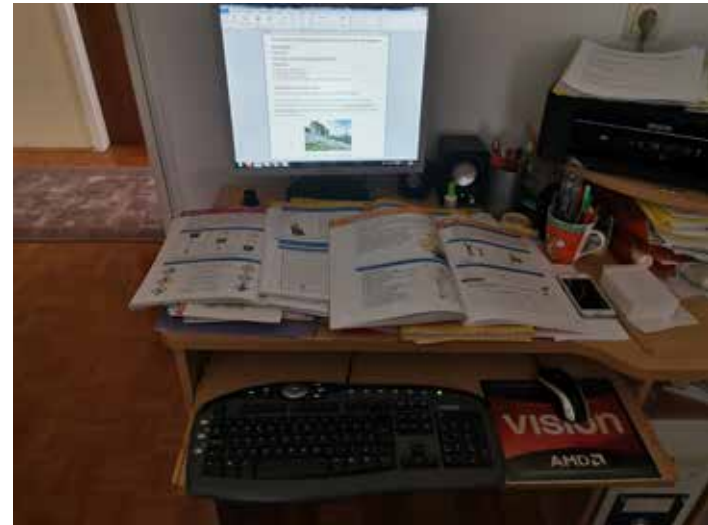
The Municipality of **Kočevje** (Slovenia) and public organisations, which are owned by municipality, were available to customers by e-mail. All contacts of the employees of the Municipality of Kočevje are published at municipal website.

The biggest challenges that the Municipalities of **Kloštar Podravs-ki, Jakšič** and **Konavle** faced was providing services to inhabitants who were not used to get online services. The municipalities took measures to provide digital services as municipal employees adjusted to teleworking.

Digitalisation of education

The Municipality of **Ferizaj** has stepped efforts to ensure online and distant learning for children from disadvantaged households, by providing **tablets for children in need** in order to ensure equal opportunities for all children to follow online classes.

(see also Cluster „Education). The Municipality of **Kočevje** (Slovenia), has provided Computer equipment and internet connection for distance learning to families in need. A board of Headteachers was created and worked in close collaboration with the municipali-



ty to regulate and administer the education process. The Municipality of **Logatec** (Slovenia), has been supporting the delivery of **online classes for pupils and students** from primary and secondary schools. Also activities of children's art school became online). The municipality also provided free online learning assistance, which information were available on the website of municipality).

Digitalisation and agriculture

As farmers' markets were closed during the lockdown, the city and the Development Agency of **Novska** (Croatia) launched an **online farmer's market on Facebook**, where local farmers could offer their products. The facebook page is still running, despite markets are open again.

The Village of hall of **Colibasi** (Moldova), established the **local brand "With love from Colibasi"**, under which local producers were able to sell their products via online markets with delivery to the homes of the costumers.

The Commune of **Ciugud** (Romania), created an online platform The - Virtual Approach - www.aprozarulvirtual.ro that serves as an online market bringing together small local producers' offer with the citizens demand for fresh products. The Platform aims to promote the offer of local producers and their fresh agricultural products, and provides a huge opportunity to support Romanian agriculture and the future of the Romanian village. The idea started in Ciugud, and expanded nationally to support Romanian producers.

5.3.3 Social care and protection

Caring about each other

The **Metropolitan Municipality of Istanbul** (Turkey) introduced the Askıda Fatura 'Pay-It-Forward' campaign, that aims at supporting disadvantaged neighbours and citizens who are not able to pay their utility bills. With a spirit of solidarity and community mobilisation, citizens were able to help their fellow neighbours by paying their bills anonymously through a digital platform. The initiative borrows its name from a longstanding Turkish tradition that dates back centuries, whereby a person would go to a bakery and pay for two loaves of bread instead of one, telling the baker that the other



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loaf will be “on the hook” for another person in need who might be unable to afford bread – hence the name paying the favour forward.

The Askida Fatura ‘Pay-It-Forward’ campaign provided the citizens of Istanbul with an opportunity to help their fellow neighbours burdened with utility bills during the COVID-19 crisis. The campaign helped 22,000 families in Istanbul to have their outstanding bills paid in under 10 hours, using an anonymous payment algorithm on the IMM website. Donations received as of July 9th total 175.519 invoices valued at 3.086.066 Euros. The campaign is being expanded to include also monthly support to mothers for the hygienic needs of their babies.

Caring about the most vulnerable

The Municipality of **Tirana** (Albania), has provided **support to 36.000 families caught between the earthquake and the pandemic**. The Municipality has provided them with additional support for food, shelter and medicines through the network of the municipal social service employees and community volunteers.

Similarly, the Municipality of **Shkodër** (Albania) has created a database with all the families and persons who requested support from the municipality, identifying the different typologies of needs, challenges, risks etc., so that the most adequate support is provided to citizens in need. The assistance was provided in cooperation with public and non-public entities, including international, national and

local NGOs, the Network of Community Centers and Social Care Institutions. The municipality has created dedicated telephone lines and call centers to engage with citizens. Shkoder has also been monitoring vulnerable or affected residents in areas endangered by the risk of other natural disasters such as landslides, floods, etc.

The Municipality of **Roskovec** (Albania), in close coordination with civil society and voluntary groups has **assisted groups in severe economic distress** with social and financial assistance. Besides persons with economic difficulties, support was provided also to persons that worked in the informal labor market and that lost their job because of the pandemic.



The Municipality of Gabrovo (Bulgaria), has created a **Municipal Social Fund for COVID-19 to support individuals and families experiencing difficulties** as a result of the economic consequences of the pandemic. The need for the fund arose in the process of identifying people in difficulty who have not been part of the users of common social services. They needed a temporary support and stability, not constant care. The Fund is financed entirely by the budget of the municipality. The support is in the form of food vouchers. The value depends on the number of members of the household. The creation and operation of the fund was a joint work of the municipal administration and volunteers. Additional efforts include the creation of a **Crisis Social Kitchen**, establishment of a group of specials working in social services to respond to citizens requests and needs, coordinating with volunteers and delivering support packages with food and medicines. A largescale campaign was conducted to inform people about the types of support and assistance they can receive.

The Municipality of **Ferizaj** (Kosovo) also has been providing **support to the most vulnerable community members**, with food and medical supplies, including clothing and hygienic materials. Efforts were coordinated with local businesses, volunteers and village leaders to identify families in need. In total, Ferizaj has provided support to about 20% of its population for about 100 days.

As a result of the decision of the Commission for Exceptional Situations of Cahul district the village of hall of **Colibasi** (Moldova)

closely collaborated with the district level. 110 **food packages** were purchased and distributed to socially vulnerable people in Colibasi.

The Municipality of **Novo Sarajevo** (Bosnia and Herzegovina), has provided support to public kitchens with which the Municipality of Novo Sarajevo cooperates. The Municipality of Novo Sarajevo provided 2250 **packages for socially endangered families and mothers** from the area of the municipality, who were prevented from leaving their homes during the lockdown.

Caring about the elderly

The Municipality of **Tirana** (Albania), launched the **Adopt a Grandmother initiative** – with young people volunteering to supporting lonely elderly neighbors by sharing a home-cooked meal or providing them with food and medical supply.

The Municipality of **Shkodër** (Albania), has provided **assistance to the elderly to cash in their monthly pensions**, in safety, avoiding ques and travel to Social Insurance Institutions that distribute pensions.

The Municipality of **Lovech** (Bulgaria) **cooperates with volunteer network to distribute food and medicines or provide psychological support to elderly citizens** that live alone and persons with chronic illnesses, including the vulnerable groups.

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The Metropolitan Municipality of **Sakarya** (Turkey), engaged in securing and **delivering food and medical supplies to elderly citizens** above 65 years old. The Elderly Support Centre (YADEM), of the Sakarya Metropolitan Municipality, worked to meet the needs of citizens over the age of 65 during curfew. Elderly citizens who needed regular needle therapy were treated. The municipality has also been distributing free books to encourage reading while staying at home. Books were delivered to thousands of families with the “Stay At Home with Book” campaign.

The Municipality of **Kocevje** (Slovenia), have provided emergency care for the elderly and other vulnerable groups with food and medicines.

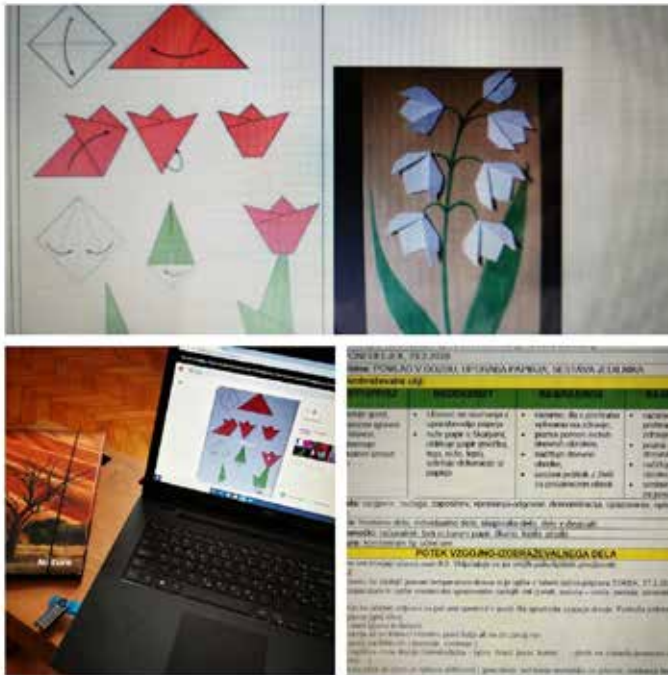
The Municipality of **Logatec** (Slovenia), has provided free meals and food delivery for vulnerable groups.

The Municipality of Velenje (Slovenia), helped the elderly, disabled and other risk groups by providing them with a free food and medicine delivery service. A group of volunteers was responsible for delivering warm meals once a day, necessary medicine, and other goods from the store. People could also order fresh fruit and vegetables from local suppliers since the market had to be closed.

The Municipality of **Selemeti** (Moldova), in the framework of the project “**Be Better for the saddest than us**” financed by international humanitarian organization “NORGE-MOLDOVA” and in partnership with the Local Public Authority provided 50 bags of food to people in great need. In addition, “NORGE-MOLDOVA” distributed hygiene products like gloves and disinfectants etc. to socially the vulnerable citizens. Furthermore, the broken water tower which supplied the local Gymnasium and over 250 households with water could be replaced by a new one in only one week with the help and financial support of the organization. With the support of young volunteers also **information and psychological support via telephone** could be offered.

Caring about children

The Municipality of **Tirana** (Albania) launched an initiative where **artists read books to children on social media**.



The Municipality of **Kocevje** (Slovenia), has provided an opportunity for childcare for parents from critical sectors who need childcare services.

The Municipality of **Logatec** (Slovenia), has provided childcare for

children of parents, who are working in medical sector, police, army and other crucial fields.

The Municipality of **Velenje** (Slovenia), provided childcare for every family in need. Parents that justifiably could not use leave from their workplace and therefore could not provide care for their children, announced the need of home care assistance to the information centre and the municipality tried to provide them childcare provider through the system of protection and rescue of the municipality.

Caring about women

The Municipality of **Roskovec** (Albania) has **stepped up measures to protect women against domestic violence** by strengthening the referral mechanism for cases of violence to identify and prevent cases of violence. Victims of domestic violence have been provided with special support packages. Also, women single parents in need have been assisted with food packages and medicines from the municipal budget.

The Municipality of **Tirana** (Albania), has also stepped up measures to prevent and provide support to women and children suffering domestic violence, by extending counseling services through dedicated 24/7 telephone lines.

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5.3.4 Ensuring citizens healthcare

Providing mental healthcare support

Due to the quarantine, the pandemic development, and eventual loss of economic security, psychological disorders such as fear, anger, anxiety, insomnia, depression have become very common. Local governments have responded by providing psychological support their citizens through online consultations.

The Municipality of **Ferizaj** (Kosovo), organized an online platform of communication with citizens, for psychological needs involving video lectures from psychologist and psychiatrist, doctors, religious clerics/representatives with aim of providing care of citizens mental health, helping them manage stress, anxiety and panic. The Municipality of **Shkodër** (Albania), also has provided online psychological support for its citizens.

The Municipality of **Shkodër** (Albania), has also been working **on tracing potential cases of COVID-19 infection**, by monitoring and reporting.

The Municipality of **Selemeti** (Moldova), also offered **information and psychological support via telephone** to citizens with the support of young volunteers.

The Metropolitan Municipality of **Kocaeli**, (Turkey) started providing **video psychological support** to citizens of all ages at home.

Psychoeducation processes have been carried out to ensure effective communication and quality time in the home for adults, children, individuals over 65 years old and families.

The Municipality of **Kocevje** (Slovenia), has provided **psychological support** through the Kocevje Health Centre in mental distress in the face of the epidemic.

The Municipality of **Logatec** (Slovenia), has provided psychological support for reduction of panic and stress of citizens in duration of the pandemic (in cooperation with Logatec Health Centre).

Providing protective equipment for healthcare workers and front liners

The town hall of **Straseni** (Moldova) called upon the whole community to **donate “one working day for the equipment of the health institutions of Straseni”**. This appeal was addressed to all citizens, to the expatriates (citizens living abroad), to companies and associations. In this context among others 316 employees of institutions subordinated to Straseni town hall, donated their “salary for one working day” to purchase equipment for the health institutions.

The Municipality of **Colibasi** (Moldova) asked its diaspora for **support in providing hygienic and medical equipment for local healthcare centers**. Thus, four thousand tubes of disinfectant, 6,000 pairs of gloves, masks, disinfectants, etc. arrived from Great



Britain and France. Supplies were delivered to all medical facilities in the municipality, although medical facilities are not in the competence of Moldovan Local Governments of 1st level. The local Colibasi Health Center also provides its services to two other municipalities (11,000 people) and the emergency medical station. Beneficiaries of this action were also staff of grocery shops and public institutions in Colibasi.

The municipality of Straseni (Moldova) has created an **online platform for gathering equipment** for those in the first line (medical staff, police).

The Municipality of **Troyan** (Bulgaria) conducted a **donation campaign to raise funds for disease prevention and to support the treatment and monitoring of patients** with COVID-19 at local hospitals

The Metropolitan Municipality of **Sakarya** (Turkey), engaged in **producing and distributing about 4 million masks** to all citizens, purchasing and **setting new disinfectant pumps all over the city**, especially in front of the ATMs, public building, hospitals, bus stops etc. The municipality has also **supported hospital staff by providing them disinfectants and necessary protective gears**.

The Commune of **Sadu** (Romania) engaged in **producing protective masks**, which were distributed to each house within the “one mask for each house” campaign.

The Civil Protection of the Municipality of **Kočevje** (Slovenia) supplies **protective equipment to the most exposed emergency services and disinfects critical points in public areas**, where contact occurs (e.g. ATM keys).

The Municipality of **Logatec** (Slovenia) has distributed **protective masks to citizens**, by giving a priority to elderly, chronic patients, single mothers and other vulnerable groups.

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5.3.5 Education

The Municipality of **Ferizaj** (Kosovo), in cooperation with the business community and donors distributed tablets for children in need in order to ensure equal opportunities for all children to follow online classes.

The Municipality of **Kocevje** (Slovenia), has provided Computer equipment and internet connection for distance learning to families in need. Both, students and teachers faced the challenges of implementing distance learning in duration of pandemic. The main challenges were provision of computer equipment and internet access for distance education. During the pandemic, the Municipality of Kočevje supported distance education with different financial and material resources. Municipality asked companies to donate and provide additional financial resources. Beside companies, municipality and schools provided some computers and its hardware from their own sources..

The Municipality of **Logatec** (Slovenia), has been supporting the delivery of **online classes for pupils and students** from primary and secondary schools. Also activities of children's art school became online). The municipality also provided free online learning assistance, which information were available on the website of municipality).

5.3.6 Crisis Management

Setting up Emergency Management Committees

The Municipality of **Roskovec** (Albania) set up a **Municipal Civil Emergency Committee** to cope with the emergency situation. The committee was composed of key directors of the key municipal departments, representatives of the local structures of the State Police, Ministry of Health and the Albanian Post. The committee was chaired by the Mayor. It played a key role in responding to the key challenges of the community and in coordinating and implementing guidelines coming from the higher levels of government.

The Municipalities of **Prishtina** and **Ferizaj** (Kosovo) also established **Local Emergency Headquarters composed of** management staff and 24-hour mobile teams were established to monitor suspicious cases of infection.

The Municipal Police of the Municipality of **Shkodër** (Albania) has been **cooperating with State Police** in securing the implementation of curfews and controls over citizens' movements. The Municipality has also been active at **ensuring safety distances and social distancing in markets and commercial units**, by placing horizontal and vertical orientation signals in the city markets and private businesses. Shkoder has also been active **in informing and raising citizens awareness** on COVID-19 prevention. It has also established a

dedicated info section at the municipal website where the municipality reported all activities carried out by the administration.

The City of **Pljevilja** (Montenegro) has established a **Municipal Protection and Rescue Team** which constantly has monitored the development of the situation in order to contribute to the implementation of preventive measures against the coronavirus pandemic spread, but also to raise the level of preparedness for any increased need to support health institutions in the fight and treatment of patients infected with the virus. The Team monitored, among others, the implementation of the National Coordination Body for Communicable Diseases measures on the local level.

The Metropolitan Municipality of **Sakarya** (Turkey), has taken active measures to coordinate efforts to respond to the crisis. It has created a **municipal crisis management team** consisting of senior executives that created a response plan. It has also established a crisis desk and has regularly coordinated with the Ministry of Health, the Ministry of Internal Affairs as well as with other governmental organisations.

The Commune of **Sadu** (Romania), focused on coordinating volunteering activities in every neighborhood of the commune. A technical working group at the communal hall was established and interviews with elder persons or those with no relatives were conducted to identify their needs and challenges so that an adequate support could be provided. It was established a direct and permanent phone line – telverde, used for requesting assistance and help for medical care.

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6. FUTURE IMPLICATIONS ON GOVERNANCE IN MANAGING AND RESPONDING TO THE COVID-19 CRISIS

6.1 What LGs can do on their own to support the social and economic recovery of their communities

Local governments have been and will certainly remain at the forefront in the response to the COVID-19 pandemic crisis, facing unprecedented challenges. A second epidemiological wave is to be expected in the coming months and the current rise in new cases of infection in South East Europe, as in many other regions, indicate the need for continued active engagement of local governments. From this perspective municipalities should consider continuing the **cleaning and sanitizing/disinfecting** public buildings and instructing citizens about absolutely essential hygiene measures such as proper hand washing, physical distancing and wearing a protective mask etc. This could include the continuation of production and/or distribution of protective materials such as masks and disinfectants. Local governments can help to **awareness raising** by informing their citizens. Even if it harms the local economy, companies that are not systemically relevant have to be closed and events have to be canceled in order to prevent crowds and thus new infections.

This extraordinary crisis has brought to light also the need for **increased capacities and skills in crisis management** and in some instances also the **reorganisation of the civil protection system** to ensure an effective coordination in the response measures. Increasing local capacities and skills to tackle with civil emergencies will play a key role in the containment of the expected second wave of infections.

Local governments need to develop **Local Strategies and Programs for the Social and Economic Recovery**. *Economic incentives* play a key role in these strategies. *Fiscal relief measures* including tax cuts and abatements, postponing tax clearance timelines, eliminating tax arrears delays, elimination of specific taxes, fees and local charges for specific categories, in particular the most vulnerable have been and most probably will continue to remain at the core of local efforts to support their communities and economies. Similarly, *direct financial support mechanisms* for SMEs, microenterprises and self-employed that have been most affected by the

lockdown and the crisis have been very common and helpful to preserve and save jobs. Municipalities can play an important role in *promoting employment and job creation*, through specific programs, including through incentives for specific categories of jobs and sectors, training and vocational education, coordination with the private sector etc. Local governments may continue *incentives for the local economy* through well *targeted investments* and special attention to particularly *affected industries*, increased promotion (or development) of *local touristic products*, including emphasis on *domestic tourism, local consumption* etc. Besides supporting local businesses and citizens, local governments have also taken measures to *improve local revenue mobilisation* and administration to raise necessary revenues in a sustainable manner along with *local spending reviews* to increase the efficiency and effectiveness of local spending policies remain at the core of such strategies – as two fundamental measures that local governments may adopt on their own. Improved revenue mobilisation and spending reviews will help create the necessary fiscal resources to support the increased spending for the social and economic recovery.

In the area of **healthcare**, local governments could continue to support local hospitals with protective materials and medical equipment, or the adaptation of local hospitals. In cooperation with higher levels of government municipal support could include increasing the number of healthcare personnel. Similarly, they could continue to provide online/remote psychological support.

In the area of **education**, local governments in partnership with higher levels of government, the private sector and relevant stakeholders could take active measures to adapt classes and classrooms to prevent the spread of the COVID-19, create the necessary IT infrastructure and secure the technical equipment for online and distance learning. Special measures should be taken for children and students from underprivileged households through providing them with internet connections, tablets or computers etc.

In the area of **social protection**, local governments have provided support to the most vulnerable through the distribution of food, sanitary products and medicines. Support included also cash transfers, elimination or reduction of local taxes and fees. Social care services have been reorganised and adapted to the new reality.

As COVID-19 shows the importance of **sustainable agriculture** once again, local governments can carry out production activities in the field of agriculture and provide citizens with accessible and healthy products. This could include providing financial and administrative support to farmers, providing seeds, counselling, agricultural equipment, support irrigation and help secure market access, including establishing **online agriculture markets** to help local farmers market their products. Specific policies could be introduced to support export of agricultural products.

In the area of **local administrative services**, municipalities may take additional steps to digitalise services, increase number of on-

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line services they provide through specific applications, establish new and safe working arrangements for service units. Municipalities have also taken measures to facilitate the exchange between citizens and municipal personnel by publishing phone numbers and contacts for municipal employees.

Volunteering played a key role in supporting the most vulnerable during the outbreak and confinement and lockdown measures. Local **solidarity** helped survival of those that were in need, helped saving lives of those most endangered from the COVID-19 such as the elderly. Local governments have helped coordinating volunteers in responding to citizens need. Most probably this will continue to play a key role also in the coming months.

6.2 Expected support and policies from higher levels of government

In responding to the unprecedented crisis arising from the COVID-19 pandemic, local governments need the support of higher levels of government. Without an effective support from higher levels of government local governments will be unable to provide services to their citizens and help the social and economic recovery of the local economies and communities. Similarly, without coordinating with local governments that have a better knowledge and understanding of the challenges, needs and priorities of the local communities, national recovery efforts will not be successful.

Figure 27
Expectations of SEE local governments for support from higher levels of government

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

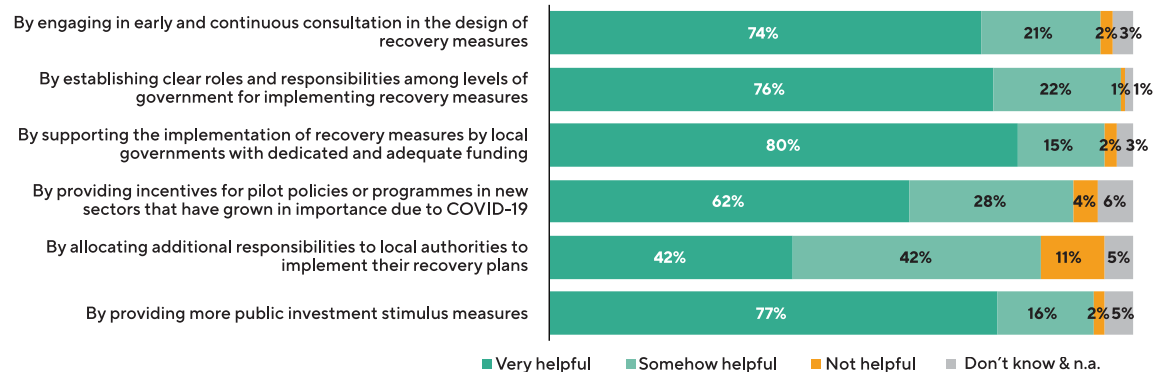


Figure 27 shows the expectations of SEE local governments for support from higher levels of government in effectively responding to the COVID-19 crisis and leading the recovery of local communities. Engaging in consultation, clear responsibilities, financial support, pilot programmes and investment stimulus are requested most from LGs. More competencies and tasks are refused/have been put last. From the perspective of individual economies, adequate funding for the implementation of recovery measures is needed from most LGs, except from many Slovenian and North Macedonian municipalities. Table A11 in the Annex provides more detailed data on the expectations of local governments from different economies.

Specific policies that the central government should change, improve, introduce to further support the socio-economic recovery

Most of the local governments in all economies see the adoption of well-planned and targeted measures/policies by central governments as a key priority to further supporting the socio-economic recovery, along with the **advancement of (fiscal) decentralization, increase of own revenues and the strengthening local tax powers**. Local governments expect the national governments to allocate **more funds for the social and economic recovery** and development of local communities and businesses. A **special fund** for compensating the expected loss of local government revenues is also sought for by many SEE local governments and associations of local governments. As regards other intergovernmental transfers,

SEE local governments expect increase support in terms of **fiscal equalisation grants/subsidies** for local governments with smaller fiscal capacities and also increased flexibility in using earmarked intergovernmental transfers. The lack of financial resources (decrease of income together with an increase of expenses) hinders LGs in all economies to cope with the crisis in an appropriate way, even more due to missing competences in collecting taxes, borrowing money or increasing international investments. Thus, the majority of the respondents are claiming for changes in **local government (finance) legislation**. Economies such as **Albania, Bulgaria, Croatia, Montenegro and Kosovo** are furthermore demanding **civic emergency funds** and **preventive action** to be prepared for a possible second wave of the pandemic.

In all economies the local governments request **more financial support from the central governments** for **social protection** and **care** for their citizens in needs (vulnerable people and/or unemployed people). In addition, buying **IT equipment** in Romania for schools in rural areas and supporting the transition to **e-government** in Moldova have been mentioned by the respective LGs. The economy should be strengthened, both in public and private sectors. Supporting **employment and job retention** programs remains one of the key expectations of local governments, along with **economic incentives** for SMEs, microenterprises and craftsmen and reviving specific sectors such as agriculture, tourism etc. Local governments call also for Increased funding for **investments** on local level, especially in **public infrastructure**. As part of the eco-

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conomic support packages, local governments expect that the central government should adopt more simplified and **flexible rules on local borrowing**, including guarantees and debt servicing deferrals, in particular for those types of projects that boost local economic activity and create jobs. At the same time, in adopting these expansionary fiscal policies, SEE local governments expect the national government would also preserve **fiscal stability**.

The **future of education** from kindergartens to universities rests on the development of the necessary digital infrastructure, tools and capacities of both teachers, pupils, parents and students. While local governments have played an active role in securing access to online or distance learning to all pupils, in particular those from underprivileged households, these were urgent and temporary measures. Going forward a more active engagement of the national government is needed to support the sector. Digitalisation of education may play a key role in reducing the inequalities access to education in urban and rural areas over the long term. In **health-care**, the government should take active measures to provide local hospitals with protective materials, medicines, equipment, and qualified staff. Furthermore, psychological support should become easily accessible for citizens. SEE local governments also support additional and effective **support to social care**, including national co-financing of local social care services and co-financing of child-care and kindergartens.

Enhancing digital infrastructure, adopting new software and applications and connecting different databases remain critical for both responding to the pandemic and more on the longer term to improve efficiency and effectiveness of **service delivery**. Many SEE local governments have taken measures for the digitalisation of public services; however, additional support could be provided by the national government in this area to adopt IT technologies capable of providing quality services in the online environment. **Remote working practices** require the review of the current laws and institutional rules and regulations as much as digital infrastructure and technical capacities. These elements are critical for employment and working life for the foreseeable future.

SEE local governments also expect **improved coordination** in designing and implementing social and recovery measures across levels of government, private sector and civil society. As local governments have a better understanding of the territory and local needs and priorities there should be a mechanism in place that allows local governments to suggest adaptations to the policies adopted at the national level. Similarly, increased collaboration and coordination is also expected to strengthen local government capacities in crisis and emergency management.

Increasing local **capacities to absorb and manage EU funds**, is also a very relevant proposal that could help local governments in SEE attract necessary investment funds.

6.3 Improving intergovernmental dialogue and coordination for a successful recovery

6.3.1 The role of Local Government Associations

Local Government Associations play a key role in the coordination and cooperation across levels of government and therefore have an irreplaceable position in the response to the pandemic and the social and economic recovery after the pandemic. Figure 28 shows that in most economies functioning mechanism for cooperation between the central and local governments to address the pandemic have been established. Local Government Associations have played a key role in these cooperation and coordination mecha-

nisms by bringing the needs, concerns, challenges and priorities of local governments and ensure the coordination of national policies with local needs and challenges.

Local governments have a key role to play in the development and implementation of the social and economic recovery strategies and measures adopted at the national level. Figure 26 shows the % of economies where the national governments have adopted recov-

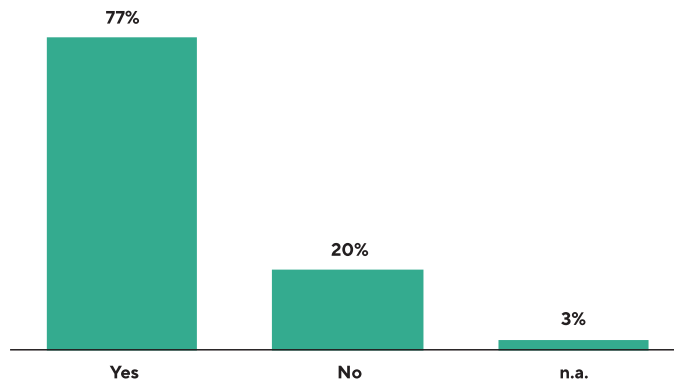


Figure 28
Are there cooperation mechanisms between central and local governments to address the pandemic?

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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ery strategies and % of cases where local government associations were consulted and included in the process of developing such strategy. As it can be noted, in 50% of SEE economies the central governments have adopted social and economic recovery strategies, while in only 32% of these cases, Local governments and their associations were consulted over the development of the policies. Also, on the local level, 40% of SEE local governments and Associations of Local governments responding to the survey have prepared and approved recovery strategies.

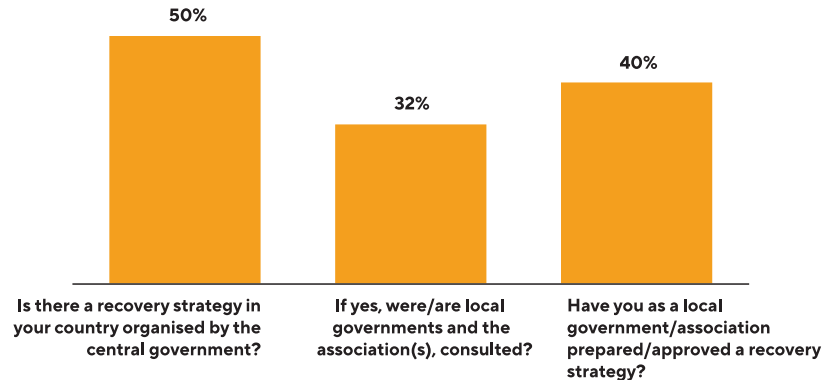
6.3.2 Success factors for developing a successful recovery strategy

Figure 30 shows SEE local governments' perception of the key Important factors for a successful recovery strategy from the crisis. The types, the consistency and the timing of the recovery measures expected to be adopted and implemented in the coming months, will play a crucial role in the social and economic recovery. Such policies need to be **well targeted**.

All **levels of government must work together** and **consultation and coordination** between levels of government within and across economies, will be key to a manageable recovery process, as was

Figure 29
Government's recovery strategies and consultation of local governments

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.



the coordination over the measures designed to curb the outbreak of the virus. **Adapting measures to the local needs and priorities** is crucial. Clearly, local governments have a key role in successfully designing and implementing recovery strategies as they are best positioned to better and more quickly understanding the local community needs. By the same token Local Government Associations in South-East Europe are best positioned to support and facilitate the **policy dialogue and coordination** between the different levels of government and stakeholders. **Strengthening intergovernmental**

finance systems will also be crucial. Local governments will not be able to implement local recovery strategies if they are not provided with the necessary means, including in particular financial resources. And equally importantly, local governments cannot be expected to replace the key role of the national government in leading the recovery effort. **Involvement of the local community and the private sector** is also considered as a very important factor playing a key role in the success of the recovery efforts.

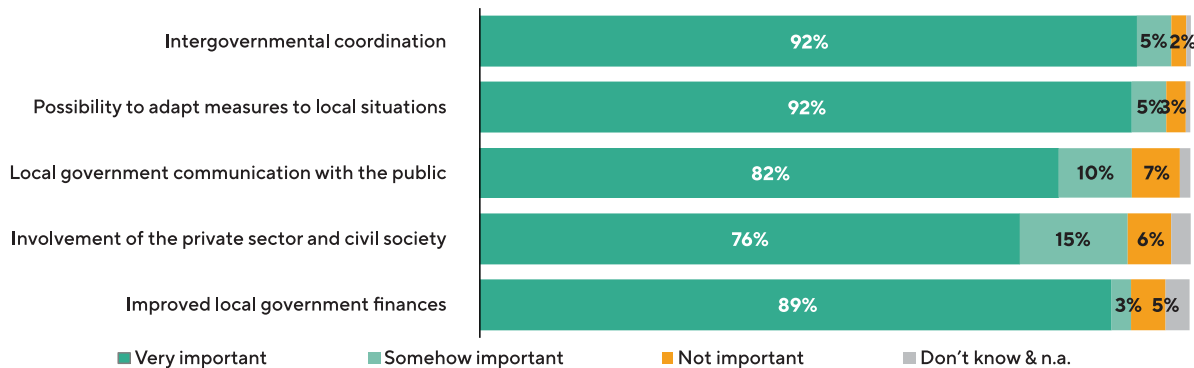


Figure 30
Important factors for a successful recovery strategy from the crisis

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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7. CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusions of the survey results

SEE local governments are at the frontline in managing the COVID-19 pandemic. In addition to basic communal services, such as water supply, waste management and public transport, most SEE local governments have also extended responsibilities in the social sector: in education, social protection and healthcare. In many SEE economies, they manage all levels of pre-university education and are responsible for reopening schools and adapting education to the COVID-19 reality, including online and distance learning. They are also in charge of social care and protection and social transfers to the most vulnerable, while in a number of economies they also run primary and secondary healthcare systems.

SEE local governments have been severely impacted by the COVID-19 pandemic, which has caused severe service disruptions, and in some cases, even a complete shutdown, inability to perform tasks and lasting structural damages to the local community and economy. **The magnitude of the impact at the local level varies significantly within and across SEE.** Larger sized cities and municipalities (over 100.000 inhabitants) are hit hardest, reflecting the higher concentration of people and economic activity. The im-

impact at the local level is also harder in economies where local governments have extended social responsibilities in education, social protection and healthcare; or in economies with already weak or challenged local and public finances.

The differentiated impact of the COVID-19 crisis, requires well planned and well targeted policies, adapted to the territorial needs, challenges and opportunities. From this perspective, the open and inclusive consultation, cooperation and coordination between levels of governments and the Local Government Associations is critical for the effective management of the crisis and the effective planning and implementation of social and recovery measures.

Local governments face unprecedented levels of uncertainty and have to make difficult emergency budget rationing decisions, in a context of expected declining revenues, increased costs and slowdown of economic activities. **Finances are the biggest struggle for SEE local governments** in all economies. The lack of adequate financial resources is the most relevant challenge faced

by the LGs in the crisis. Additional support for LGs financing is needed in order to prevent service disruptions and support a sustainable social and economic recovery.

The key spending priorities remain focused at safeguarding citizens health and lives, supporting the most vulnerable and reopening and reviving local economies – although all these are constrained by available human, technical and financial resources and support from higher levels of governments. Spending priorities are expected to remain the same for both 2020-2021.

SEE local governments will continue to face unprecedented financial pressures over the short and medium term: For 2020 – 55% of the survey respondents expect local revenues to fall by more than 15% compared to 2019 while another 34% expects a fall within the range of 5-15%, in annual terms. **These expectations are more pessimistic than those of some EU and OECD local governments** (see, Finland, 4%; Austria, 5-11%; Switzerland, 6-8%; Italy, 9-24%; Germany, 15%).

According to NALAS's estimations, in 2020 alone, SEE local governments risk losing 6.9 billion Euro compared to 2019 and Western Balkans (WB) local governments risk losing 645 million Euro. This would correspond to a shortfall of 12%. If not reversed by policy measures SEE local governments may lose an additional 5.4 and 4.8 billion Euro over 2021 and 2022. Overall, **cumulatively, by 2022, SEE and WB local governments may lose up to 30% of their rev-**

enues compared to 2019, for a total estimated loss of 17 billion Euro and 1.6 billion Euro respectively for SEE and WB local governments. In a pre-COVID-19 situation, it would have taken 4-10 years to SEE local governments to recover from such a downfall. If not addressed by additional measures, by 2022, SEE local government revenues would be lower than the revenues they in 2008 at the outbreak of the global financial and economic crisis. Hence, all the successes achieved in local government finance reform in SEE economies in more than a decade, would be put in question.

While very important, local borrowing, seems to not be able to play a key role in financing the recovery measures of SEE local governments. In many SEE economies, local borrowing is limited either legally or institutionally by higher levels of government. In fact, only 24% of SEE local governments responding to the crisis have increased or are planning to increase spending – while the remaining has not and is not planning (or able) to.

Efforts at national and local level must now focus on measures aimed at managing the social, economic and public finance crisis. These include economic recovery policies, support for SMEs, public investment incentive plans, targeted measures for the most affected areas, or most vulnerable groups, policies to support the compensation of reduced local revenues and increased costs, municipal debt management, reorganization of the administration and staff providing public services, reorganization of coordination mechanisms be-

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tween different levels of government for crisis response.

The types, the consistency and the timing of the recovery measures expected to be adopted and implemented in the coming months, will play a crucial role in the social and economic recovery. Clearly, local governments have a key role in successfully designing and implementing such recovery strategies as they are best positioned to better and more quickly understanding the local community needs.

40% of SEE local governments have developed social and economic recovery strategies. The core element of these strategies includes **support for local economic actors** most affected by the crisis as well as for **vulnerable groups** with increased and improved social services. Very importantly, about half of respondents' plan to conduct **spending reviews** to prioritise resource utilisation and increase spending efficiency. Other measures SEE local governments plan as part of these recovery strategies are, raising awareness among their communities, providing additional healthcare, working together with the private sector, targeted investments, intergovernmental coordination etc.

Only 50% of SEE economies, have developed official social and economic recovery strategies. Of these, only 32% have been consulted and coordinated with local governments and their associations. This unprecedented crisis calls for effective and efficient policies that are planned, developed, consulted, co-

ordinated and implemented together with local governments.

Given their extended responsibilities in both basic service delivery and social sector, SEE local governments have a key role in successfully designing and implementing policies aiming at managing the crisis and driving the social and economic recovery. Furthermore, being the level closest to citizens they are best positioned to better and more quickly understanding the local community needs, priorities, challenges and opportunities.

While SEE local governments have a key role to play in the social and economic recovery – they need the support of higher levels of government to do so. Local finances are already under

serious financial strain. Therefore, SEE local governments expect the national governments to allocate **more funds for the social and economic recovery** of local communities and businesses, through different financing instruments. More financial support is expected also for healthcare, social protection and care for their citizens in need and the most vulnerable and affected. SEE local governments expect also changes in the legislation calling for increased **financial decentralization**, stronger local tax powers, higher intergovernmental transfers, more flexible rules on local borrowing etc. **SEE local governments also expect a higher level of engagement of the national government in enhancing digital infrastructure and digitalisation of services.**

Local Government Associations (LGAs) play a key role in the coordination and cooperation across levels of government and

therefore have an irreplaceable position in the response to the pandemic and in planning and implementing the social and economic recovery. LGAs facilitate the communication between central and local governments, raise awareness on needs, concerns, challenges and priorities of local governments and ensure coordination of national policies with local needs and challenge. Providing exchange of information, best practices and experiences among local governments have been mentioned as other main tasks for LGAs in the management of the crisis.

On a positive note, with all the uncertainties about the future - the crisis has brought to light also auspicious developments in local communities such as **strengthened local solidarity** for citizens in need, the most vulnerable and those that lost or were at risk of losing their jobs; a **quick switch to digitalization of local services**, which has been both a challenge per se and a response to the crisis, and to some extent, the **return to regional/local products**, both as a means to secure supplies and support local and regional economies.

7.2 General policy recommendations

The effective management and recovery from this unprecedented crisis require an open, inclusive and continued consultation, coordination and cooperation between all levels of government. From this perspective, **effective intergovernmental policy consultation and coordination mechanisms must be strengthened or established** to plan, develop and implement well targeted policies, adapted to the different territorial needs, challenges and opportunities. These mechanisms should allow local governments and their associations to suggest adaptations to the policies adopted at the national level.

Intergovernmental consultation and coordination must be strengthened. Local Government Associations were consulted in only in 32% of cases where national governments have developed social and economic recovery strategies. The differentiated territorial impact of the COVID-19 pandemic at the local level within and across SEE economies, as elsewhere, poses significant challenges to policymakers and requires, more than ever coordination across levels of government and stakeholders and the development of place-based policies. Clear rules for coordination and cooperation are necessary to tackle the COVID-19 pandemic impact this and crisis that may arise in the future.

SEE local governments must be supported to overcome the unprecedented financial challenges they are facing in managing this crisis. SEE local governments must be supported to reduce

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strain on local budgets and mitigate the gap between increased local emergency and/or recovery spending, declining local revenues and slowdown of economic activities. Local governments must be provided with **sufficient resources and autonomy and flexibility**. The key recommendations in the area of strengthening local finances and advancing financial decentralization include:

- Introduction of special grants to compensate for the extraordinary costs incurred by SEE local governments in implementing prevention; Similar special grants should compensate also for economic relief measures approved at state level, that have implication on municipal revenue;
- Increasing the level of grants, transfers and subsidies for local governments, including greater flexibility in the utilisation of earmarked grants as the only measure to support continued service delivery at the local level, in a context of declining own local revenues;
- Additional flexibility in the utilisation of local governments general purpose transfers – including advanced payment of periodic instalments to compensate for the increased financial pressures in the short term;
- Review and strengthen fiscal equalisation across local governments to support those with fewer fiscal capacities or higher COVID-19 costs;
- Targeted capital investments at the local level to improve local infrastructure, support local economic activity and preservation/creation of jobs; Investment funding must be allocated in a transparent and effective manner based on specific development priorities and opportunities. Investments must be targeting sectors that would not only have an impact in the recovery but also on the long-term sustainability;
- Strengthening local government taxing powers by granting local governments new taxing powers over local government tax bases and rates, including the introduction of new local taxes;
- Support developing capacities and infrastructure for effective local government revenue administration;
- Support spending reviews at the local level to support improving resource utilisation, and the effectiveness and efficiency of local spending;
- Introducing shared taxes or increasing the local revenue share from shared taxes;
- Relaxing local borrowing rules and constraints for local governments, while safeguarding overall fiscal stability;
- Relaxing rules concerning local budget deficits, budget reallocations and procurement (although limited in time), to

allow local governments to respond swiftly to the highly unpredictable COVID-19 developments.

- Alleviating financial pressures on local governments, perhaps by temporary reductions in taxes paid by local governments for specific public goods and services such as for waste management, water and sanitation, public lighting etc.

SEE local governments must develop consistent social and economic recovery plans, programs and strategies. So far, 40% of SEE local governments have developed such types of plans and strategies. The focus of these strategies must be focused on the local needs, challenges and priorities. The strategies must also be anchored to the recovery efforts planned at higher levels of government.

SEE local governments expect increased support from the higher levels of government in financing the social and economic recovery of local communities and businesses through different financing instruments. This includes development or review and the extension of COVID-19 support packages adopted at the national level. Municipal companies and enterprises must also become eligible for such support measures. Finally, support packages must be planned also for the medium to long terms.

More financial support is expected also for healthcare and social care and protection for the most vulnerable. The key recommendations here include the introduction or expansion of grants

to finance local government spending to compensate for their increased spending in these critical sectors, providing direct financing and easing access to support programs. Strengthening social protections systems is crucial to prevent and reduce poverty.

Easing access to EU programs aiming at supporting the recovery from the COVID-19 pandemic and investment in the green and digital transitions will play a key role in cushioning the social, health and economic crisis. The EU has already mobilised a package of over €410 million in reallocated bilateral financial assistance to support the Western Balkans during the coronavirus emergency. The bulk of the support package has focused in short to medium term assistance to support the social and economic recovery in the regional while the remainder in immediate funding to address the most pressing medical equipment and protection needs. Similarly, increasing local **capacities to absorb and manage EU funds**, is also a very relevant proposal that could help local governments in SEE attract necessary investment funds.

One of the main challenges will be the restarting of the local economy and cushioning social decline. The NALAS proposals to support local economic development and existing good practices should be used. Here, also the Regional Cooperation Council (RCC) is required to prioritize local economic development within the SEE 2030 strategy. Under the impetus of COVID19, these efforts should be intensified.

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In addition, **local responsibility for local economic development must be strengthened**, both in terms of legislation, financial support and the awareness of local actors. This is key to supporting resilience at the local level. Investment grants could be used to support recovery of the region and boost economic activity while preserving jobs in in specific sectors.

The future of education from kindergartens to universities rests on the development of the necessary digital infrastructure, tools and capacities of both teachers, pupils, parents and students. Digitalisation of education may play a key role in reducing the inequalities access to education in urban and rural areas over the long term.

Both levels of government must continue work to enhance digital infrastructure and capacities, adopt new software and applications and connect databases. This is critical for both responding to the pandemic and to establish and further develop digital solutions for public administration (home-office for local governments' employees, training to improve the digital skills within the public administration, new e-government solutions for citizens' requests, broadband extension etc.). The link digitalization and social progress/demography is really important, especially for mountainous and remote settlements. Hence, equipping citizens and public employees with relevant digital skills could contribute to preserving population in rural and peripheral areas.

Remote working practices require the review of the current laws and institutional rules and regulations as much as digital infrastructure and technical capacities. These elements are critical for employment and working life for the foreseeable future.

Volunteering promotes solidarity, facilitates social inclusion and builds social capital. Thus, fostering volunteering on local level can highly contribute to recovery measures. To better tapping the potentials of voluntary work and volunteering the (legal) frameworks for volunteering should be improved, barriers should be removed, and local volunteering strategies could be elaborated. Also, the empowerment of citizens by encouraging them to learn with innovative methods like financial participatory approaches would contribute to more resilient communities.

Local government capacities and skills in crisis management must be strengthened and where necessary, the civil protection system must be reorganised with clearer roles and responsibilities for local governments.

8.ANEX 1
- DETAILED SURVEY RESULTS

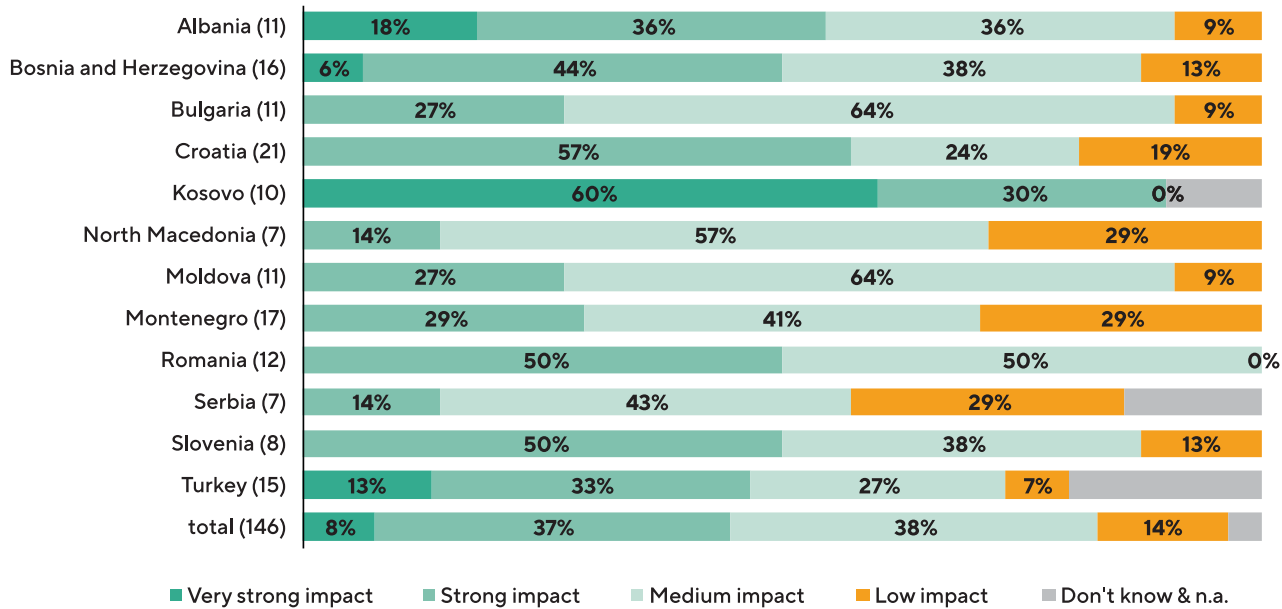


Figure A1.
Perceived COVID-19
impact on local
governments in SEE
economies

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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Table A.1
Percent of local governments considering the following factors as challenging and very challenging in managing the COVID-19 crisis at its peak, broken down by each individual economy

	Albania (11)	Bosnia and Herzegovina (16)	Bulgaria (11)	Croatia (21)	Kosovo (10)	North Macedonia (7)	Moldova (11)	Montenegro (17)	Romania (12)	Serbia (7)	Slovenia (8)	Turkey (15)
Lack of available staff	55%	31%	45%	43%	80%	71%	91%	53%	67%	71%	75%	60%
Lack of financial resources	100%	81%	91%	62%	100%	100%	100%	82%	100%	71%	88%	87%
Lack of legal/regulatory capacity to take initiatives	82%	75%	27%	48%	70%	29%	91%	47%	42%	100%	88%	67%
Lack of technical means and equipment, including ICT	73%	50%	55%	48%	80%	29%	73%	53%	50%	43%	75%	60%
Lack of human technical capacities, including skills to work remotely	55%	63%	27%	43%	50%	57%	73%	65%	75%	43%	50%	67%
Lack of coordination with other levels of government or other subnational entities	36%	56%	55%	38%	90%	43%	100%	29%	83%	43%	50%	33%
Lack of information *	45%	25%	45%	33%	-	29%	64%	24%	75%	43%	100%	-
Inefficient or missing communication structures (e.g. emergency task force?) *	36%	19%	18%	29%	-	29%	73%	12%	50%	14%	13%	-
Lack of clear and coherent rules as well as consistent institutional guidelines for coping with the crisis *	73%	63%	55%	52%	-	71%	100%	12%	58%	57%	88%	-
Provision of basic services and supply systems*	64%	56%	55%	57%	-	57%	82%	29%	75%	43%	38%	-
average %age	62%	52%	47%	45%	78%	51%	85%	41%	68%	53%	66%	62%

total respondents: (100% = 146)

* total respondents: (100% = 121)

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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	"very challenging" and "somehow challenging" - percentage of respondents in size categories				
	up to 10.000 inhabitants (39)	10.001 to 50.000 inhabitants (52)	50.001 to 100.000 inhabitants (20)	more than 100.000 inhabitants (26)	Association of Local Governments (9)
Lack of available staff	62%	46%	75%	65%	56%
Lack of financial resources	82%	83%	90%	92%	100%
Lack of legal/regulatory capacity to take initiatives	62%	56%	70%	62%	78%
Lack of technical means and equipment, including ICT	51%	52%	55%	62%	100%
Lack of human technical capacities, including skills to work remotely	62%	48%	45%	62%	89%
Lack of coordination with other levels of government or other subnational entities	62%	44%	65%	42%	67%
Lack of information *	49%	39%	23%	58%	75%
Inefficient or missing communication structures (e.g. emergency task force?) *	44%	16%	23%	25%	50%
Lack of clear and coherent rules as well as consistent institutional guidelines for coping with the crisis *	56%	57%	62%	58%	75%
Provision of basic services and supply systems*	56%	53%	69%	42%	63%
average %age	58%	49%	58%	57%	75%

Table A.2
% of local governments considering the following factors as challenging and very challenging in managing the COVID-19 crisis at its peak, broken down by each individual economy

* without Kosovo and Turkey: (100% = 121)

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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Table A3

Immediate impact on local government budgets for the period March – June 2020 in comparison with the same period of 2019, broken down by individual economies

	'Large decrease > 20%' and 'Moderate decrease 10-20%' - %age												
	Albania (11)	Bosnia and Herzegovina (16)	Bulgaria (11)	Croatia (21)	Kosovo (10)	North Macedonia (7)	Moldova (11)	Montenegro (17)	Romania (12)	Serbia (7)	Slovenia (8)	Turkey (15)	total (146)
Own Revenue	73%	94%	91%	86%	100%	71%	73%	94%	75%	71%	25%	80%	81%
Intergovernmental transfers	18%	44%	0%	57%	100%	71%	9%	71%	58%	43%	13%	40%	45%
Capital investments	73%	56%	36%	33%	80%	57%	64%	35%	67%	43%	13%	73%	52%

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

Table A4

Immediate impact on local government budgets for the period March – June 2020 in comparison with the same period of 2019 – regarding the size of LGs

	'Large decrease > 20%' and 'Moderate decrease 10-20%' - %age				
	up to 10.000 inhabitants (39)	10.001 to 50.000 inhabitants (52)	50.001 to 100.000 inhabitants (20)	more than 100.000 inhabitants (26)	Association of Local Governments (9)
Own Revenue	77%	77%	85%	96%	67%
Intergovernmental transfers	46%	46%	45%	46%	33%
Capital investments	51%	42%	55%	69%	56%

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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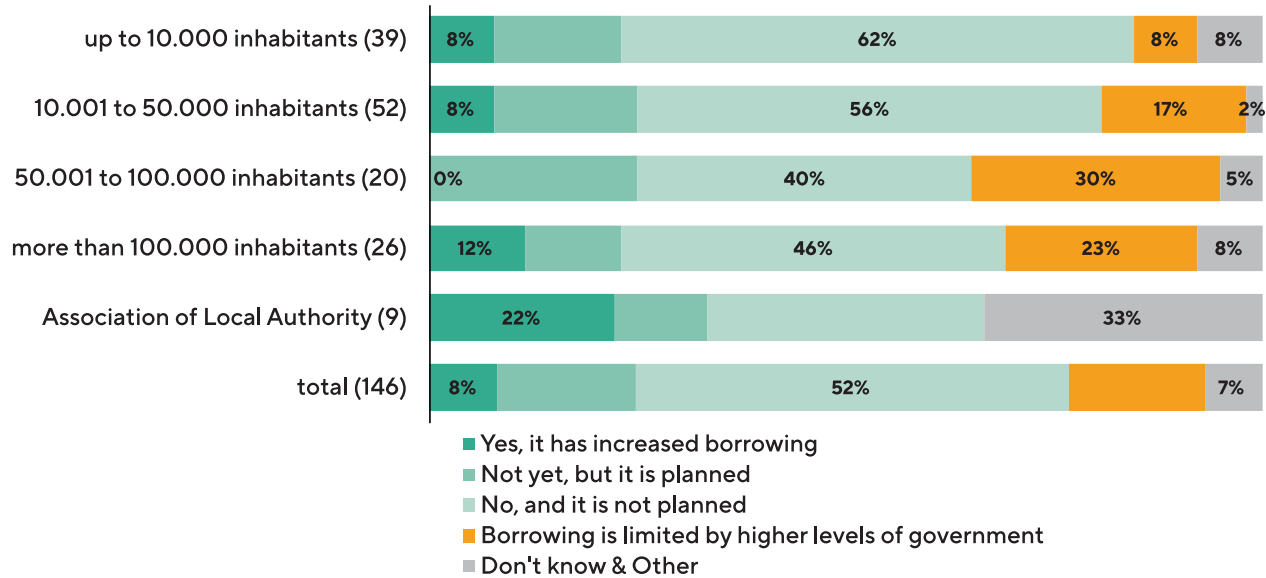


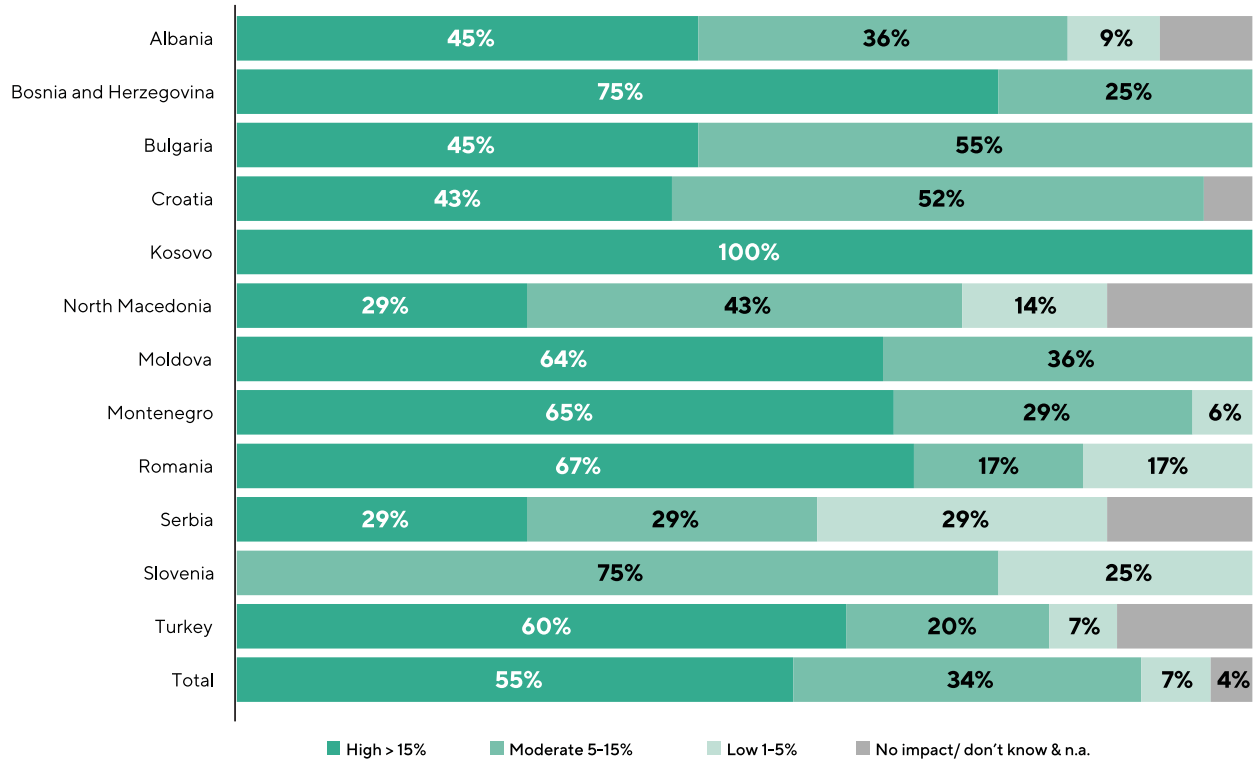
Figure A2. Local governments utilisation of local borrowing to cope with the COVID-19 socio-economic crisis

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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Figure A3
Expected impact on local government revenues over the short term in SEE

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.



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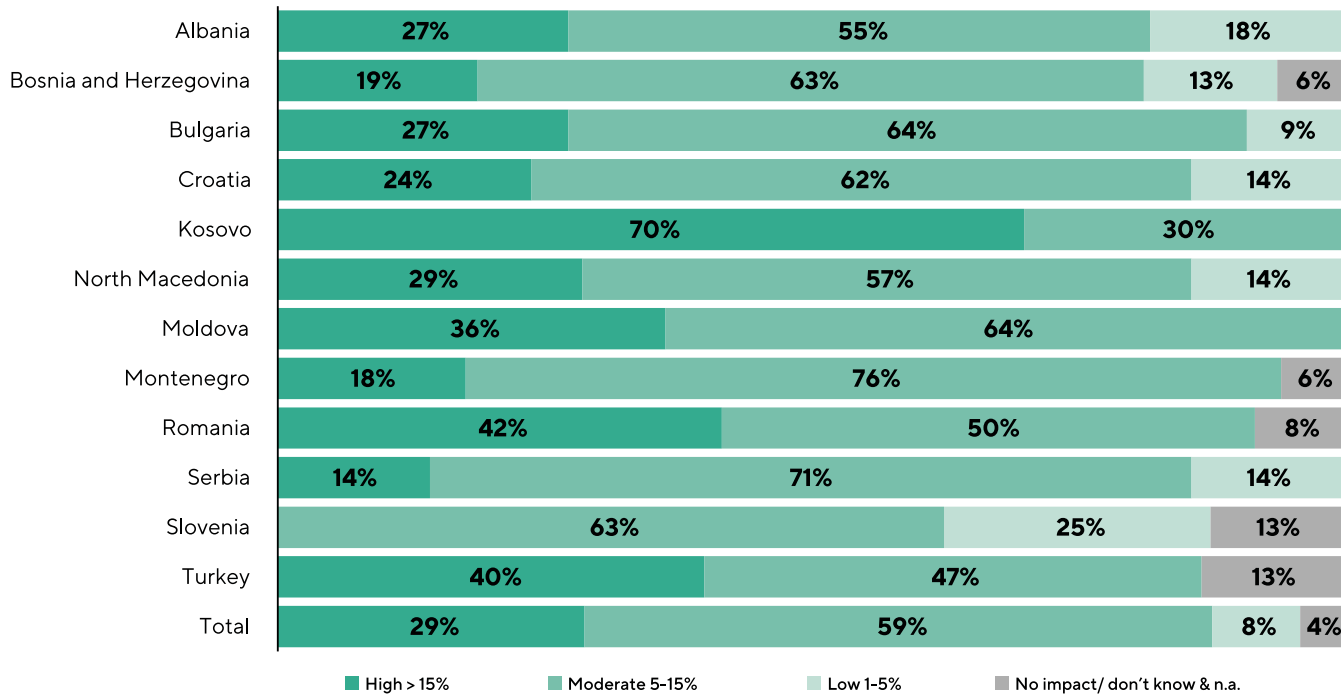


Figure A4
Expected impact on local government revenues over the medium term, by individual economies

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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Table A5.
Estimated expected decline in local revenues in SEE and WB local governments over 2020, 2021 and 2020, in million Euro – per individual economies.

	% of SEE local governments expecting a decline in local revenues over the short term				% of SEE local governments expecting a decline in local revenues over the short term				Estimated fall in local revenues, in million Eur		
	High 15%	Mod-erate 10%	Low 5%	No Impact 0%	High 15%	Mod-erate 10%	Low 5%	No Impact 0%	2020	2021	2022
Albania	45%	36%	9%	9%	27%	55%	18%	0%	54	46	42
Bosnia and Herzegovina	75%	25%	0%	0%	19%	63%	13%	6%	110	67	60
Bulgaria	45%	55%	0%	0%	27%	64%	9%	0%	519	404	360
Croatia	43%	52%	0%	5%	24%	62%	14%	0%	464	368	329
Kosovo	100%	0%	0%	0%	70%	30%	0%	0%	82	62	54
Macedonia	29%	43%	14%	14%	29%	57%	14%	0%	52	54	48
Moldova	64%	36%	0%	0%	36%	64%	0%	0%	112	87	77
Montenegro	65%	29%	6%	0%	18%	76%	0%	6%	42	29	26
Romania	67%	17%	17%	0%	42%	50%	0%	8%	2,162	1,703	1,511
Serbia	29%	29%	29%	14%	14%	71%	14%	0%	238	254	228
Slovenia	0%	75%	25%	0%	0%	63%	25%	13%	195	153	141
Turkey	60%	20%	7%	13%	40%	47%	0%	13%	2,695	2,249	2,009
SEE	55%	34%	7%	4%	29%	59%	8%	4%	6,935	5,406	4,832
WB	57%	27%	10%	6%	29%	59%	10%	2%	645	530	473

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

South-East European Local Governments in Post Covid-19 Socio-Economic Recovery

	'High > 20%' and 'Moderate 10-20%' - %age					total (146)
	up to 10.000 inhabitants (39)	10.001 to 50.000 inhabitants (52)	50.001 to 100.000 inhabitants (20)	more than 100.000 inhabitants (26)	Association of Local Governments (9)	
Tax revenues	87%	83%	80%	69%	100%	82%
Fees and service charges	85%	75%	80%	77%	67%	78%
Revenues from rents (land, housing, markets, commercial sites)	46%	77%	80%	81%	78%	70%
Municipal companies	49%	48%	70%	54%	78%	54%
Educational institutions (and childcare)	56%	50%	45%	38%	33%	48%
Cultural/sporting institutions	64%	52%	60%	58%	56%	58%
Public transport	44%	50%	50%	65%	78%	53%
General purpose/ unconditional grants and subsidies from higher levels of government	67%	50%	65%	42%	44%	55%
Shared tax revenues	74%	58%	55%	42%	56%	59%
Earmarked grants and subsidies from higher levels of government	72%	48%	65%	42%	33%	55%
Investment grants from higher levels of government	69%	58%	65%	65%	67%	64%
average %age	65%	59%	65%	58%	63%	61%

Table A6
Revenue sources with highest loss/ decrease over the period 2020-2021 regarding size of local governments

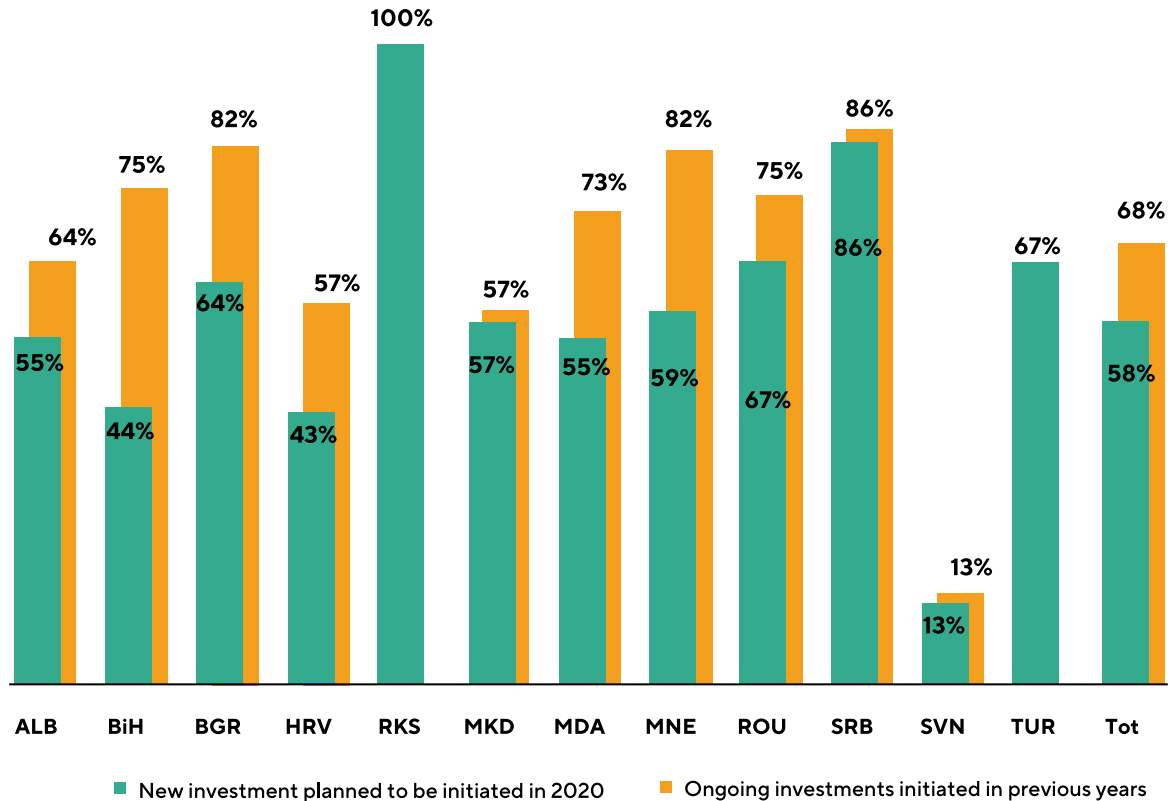
Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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Figure A5
 expected impact
 in the decline
 of ongoing
 investments and
 new investments
 over the medium
 term, if no additional
 funds or revenue
 raising options are
 provided for from
 higher levels of
 government

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

Estimated large and moderate decrease in investments (more than 5 percent)



South-East European Local Governments in Post Covid-19 Socio-Economic Recovery

	'Large decrease >15%' and 'Moderate decrease 5-15%' - %age												total (146)
	Albania (11)	Bosnia and Herzegovina (16)	Bulgaria (11)	Croatia (21)	Kosovo (10)	North Macedonia (7)	Moldova (11)	Montenegro (17)	Romania (12)	Serbia (7)	Slovenia (8)	Turkey (15)	
Spending for wages/salaries and social benefits	36%	44%	64%	48%	100%	57%	36%	88%	58%	29%	50%	40%	55%
Spending for operations	64%	69%	91%	57%	100%	100%	55%	88%	42%	43%	38%	40%	65%
Spending for maintenance of infrastructure/ buildings	55%	69%	91%	57%	100%	100%	73%	82%	42%	71%	25%	33%	65%
Subsidies	45%	56%	73%	62%	100%	57%	82%	47%	42%	86%	25%	27%	57%
Cash transfers to individuals and families	0%	50%	36%	38%	80%	29%	36%	47%	17%	29%	25%	33%	36%
Debt servicing expenditures	27%	19%	27%	29%	90%	57%	9%	41%	17%	14%	25%	27%	31%
Capital investments spending: Ongoing investments initiated in previous years	55%	44%	64%	43%	100%	57%	55%	59%	67%	86%	13%	67%	58%
Capital investments spending: New investment planned to be initiated in 2020	64%	75%	82%	57%	-	57%	73%	82%	75%	86%	13%	-	68%
average %age	43%	53%	66%	49%	96%	64%	52%	67%	45%	55%	27%	38%	54%

Table A7
Expected impact on local government budgets over the medium term in individual SEE economies, if no additional funds or revenue raising options are provided for from higher levels of government

* total without Kosovo and Turkey: (100% = 121)

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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Table A8

Expected impact on local government budgets over the medium term, as per the size of local governments, if no additional funds or revenue raising options are provided for from higher levels of government

	'Large decrease >15%' and 'Moderate decrease 5-15%' - %age					total (146)
	up to 10,000 inhabitants (39)	10,001 to 50,000 inhabitants (52)	50,001 to 100,000 inhabitants (20)	more than 100,000 inhabitants (26)	Association of Local Governments (9)	
Spending for wages/salaries and social benefits	51%	60%	85%	35%	33%	55%
Spending for operations	54%	73%	80%	62%	44%	65%
Spending for maintenance of infrastructure/ buildings	54%	69%	90%	58%	56%	65%
Subsidies	54%	58%	80%	50%	33%	57%
Cash transfers to individuals and families	31%	44%	55%	23%	11%	36%
Debt servicing expenditures	21%	33%	50%	31%	22%	31%
Capital investments spending: Ongoing investments initiated in previous years	49%	50%	75%	69%	67%	58%
Capital investments spending: New investment planned to be initiated in 2020 *	64%	71%	77%	58%	63%	68%
average %age	47%	57%	74%	48%	41%	54%

* without Kosovo and Turkey: (100% = 121)

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

South-East European Local Governments in Post Covid-19 Socio-Economic Recovery

	'High > 20%' and 'Moderate 10-20%' - %age												
	Albania (11)	Bosnia and Herzegovina (16)	Bulgaria (11)	Croatia (21)	Kosovo (10)	North Macedonia (7)	Moldova (11)	Montenegro (17)	Romania (12)	Serbia (7)	Slovenia (8)	Turkey (15)	total (146)
Public healthcare (hospitals maintenance, re-organization, medical and protective equipment supply, etc.)	55%	88%	55%	57%	100%	14%	82%	24%	75%	43%	88%	27%	58%
Social services (elderly care, child care, domestic care, patronage care, vulnerable people, etc.)	55%	50%	73%	62%	90%	43%	82%	47%	67%	43%	63%	47%	60%
Public spaces and buildings maintenance (disinfection, cleaning)	45%	63%	73%	38%	90%	57%	73%	41%	67%	57%	13%	60%	55%
Adapting administrative services	36%	31%	73%	29%	0%	29%	45%	29%	58%	14%	0%	47%	34%
Education (schools, kindergartens, nurseries, organization of remote study process)	27%	50%	27%	71%	90%	57%	82%	12%	50%	29%	13%	13%	44%
Information and communication technologies	55%	25%	45%	38%	20%	43%	82%	29%	50%	14%	13%	33%	38%
Awareness raising and information campaigns	45%	25%	36%	43%	20%	43%	73%	18%	25%	14%	13%	53%	35%

Table A9.
Areas with high and medium cost increase (more than 10 %) over the period 2020-2021 in member economies

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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	'High > 20%' and 'Moderate 10-20%' - %age												
	Albania (11)	Bosnia and Herzegovina (16)	Bulgaria (11)	Croatia (21)	Kosovo (10)	North Macedonia (7)	Moldova (11)	Montenegro (17)	Romania (12)	Serbia (7)	Slovenia (8)	Turkey (15)	total (146)
Support measures for citizens and business	55%	69%	45%	76%	90%	43%	64%	71%	67%	29%	63%	47%	62%
Public order and safety (incl. keeping social distance, monitoring and control of COVID-19 positive patients)	36%	44%	64%	52%	60%	43%	73%	18%	67%	29%	75%	20%	47%
Mobility and public transport	27%	31%	64%	52%	30%	29%	55%	18%	75%	43%	50%	40%	42%
Waste management	9%	13%	36%	29%	0%	43%	36%	29%	25%	29%	25%	33%	25%
Water supply and sanitation	45%	19%	18%	24%	10%	43%	36%	35%	17%	29%	0%	40%	27%
average %age	41%	42%	51%	48%	50%	40%	65%	31%	53%	31%	34%	38%	44%

South-East European Local Governments in Post Covid-19 Socio-Economic Recovery

	'High > 20%' and 'Moderate 10-20%' - percentage in size categories					
	up to 10,000 inhabitants (39)	10,001 to 50,000 inhabitants (52)	50,001 to 100,000 inhabitants (20)	more than 100,000 inhabitants (26)	Association of Local Governments (9)	total (146)
Public healthcare (hospitals maintenance, re-organization, medical and protective equipment supply, etc.)	64%	54%	55%	58%	67%	58%
Social services (elderly care, child care, domestic care, patronage care, vulnerable people, etc.)	69%	48%	55%	62%	89%	60%
Public spaces and buildings maintenance (disinfection, cleaning)	64%	48%	45%	69%	44%	55%
Adapting administrative services	44%	23%	25%	46%	44%	34%
Education (schools, kindergartens, nurseries, organization of remote study process)	62%	40%	40%	35%	22%	44%
Information and communication technologies	51%	29%	25%	35%	67%	38%
Awareness raising and information campaigns	41%	27%	35%	46%	22%	35%
Support measures for citizens and business	69%	60%	55%	69%	44%	62%
Public order and safety (incl. keeping social distance, monitoring and control of COVID-19 positive patients)	56%	48%	40%	38%	33%	47%
Mobility and public transport	56%	35%	30%	35%	78%	42%
Waste management	28%	29%	20%	19%	22%	25%
Water supply and sanitation	26%	23%	20%	42%	22%	27%
average %age	53%	39%	37%	46%	46%	44%

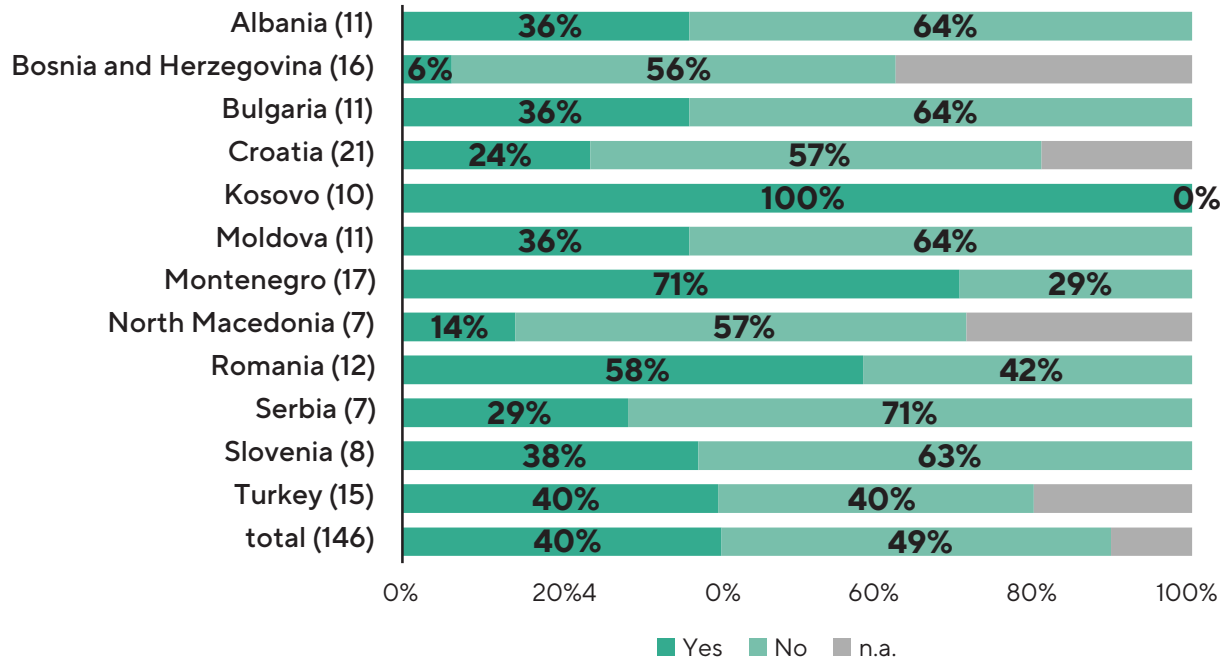
Table A10. Expected increase in spending for priority sectors over the period 2020-2021 versus the size of local governments

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

SURVEY

Figure A6
LGs and LGAs in SEE economies that have prepared or approved a recovery strategy

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.



	participants with answer "very helpful" - percentage												
	Albania (11)	Bosnia and Herzegovina (16)	Bulgaria (11)	Croatia (21)	Kosovo (10)	North Macedonia (7)	Moldova (11)	Montenegro (17)	Romania (12)	Serbia (7)	Slovenia (8)	Turkey (15)	total (146)
By engaging in early and continuous consultation in the design of recovery measures	27%	75%	64%	67%	90%	57%	91%	100%	83%	71%	38%	93%	74%
By clearly and publicly establishing roles and responsibilities among levels of government for implementing recovery measures	55%	81%	82%	86%	40%	57%	100%	88%	92%	57%	38%	87%	76%
By supporting the implementation of recovery measures by local governments with dedicated or adequate funding	73%	88%	91%	86%	60%	29%	91%	100%	92%	71%	38%	87%	80%
By providing incentives for pilot policies or programmes in new sectors that have grown in importance due to COVID-19	36%	63%	55%	67%	40%	57%	64%	76%	83%	71%	25%	73%	62%
By allocating additional responsibilities to local authorities to implement their recovery plans	18%	56%	27%	43%	50%	29%	45%	47%	67%	29%	0%	53%	42%
By providing more public investment stimulus measures	55%	75%	91%	100%	40%	43%	91%	88%	100%	43%	63%	73%	77%
average percentage	44%	73%	68%	75%	53%	45%	80%	83%	86%	57%	33%	78%	68%

Table A3
How could your national government best support the local governments in implementing crisis recovery measures/emerging from the crisis?

Source: NALAS: Online-Survey of NALAS-members and Local governments, July 2020.

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The header features a teal background with a white line graph and bar chart overlaid on a blurred image of modern buildings.