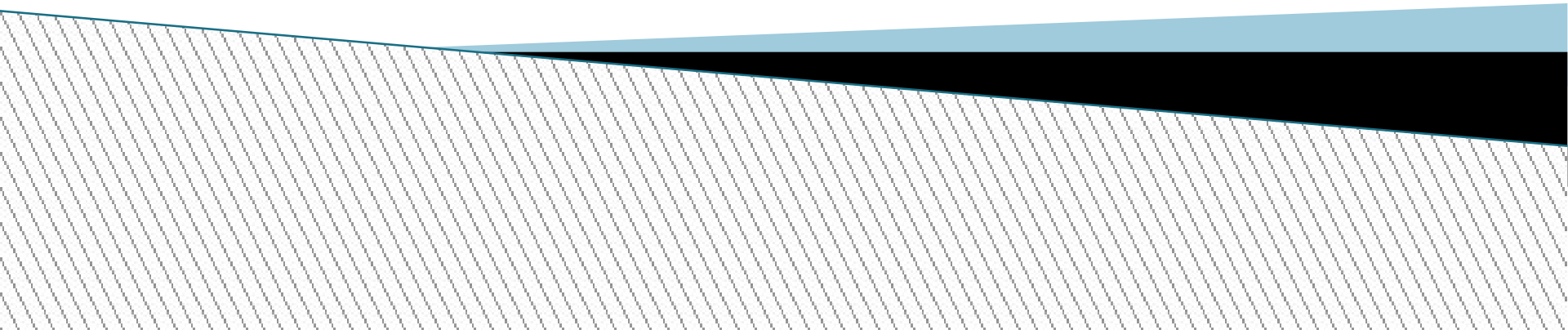


# Budgetary Systems, Local Finance, Finance EU

Public Economics

Filip Hruza



# Decentralization

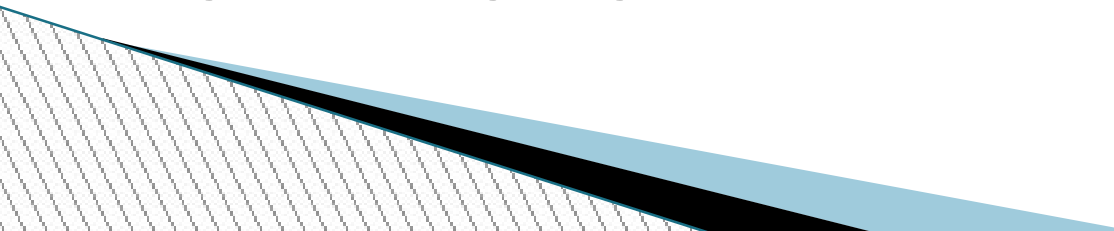
The process of redistributing functions or powers from center to localities in term of hierarchy.

Dentralization concept is widely used in public administration, economics, law, but also in private sector.

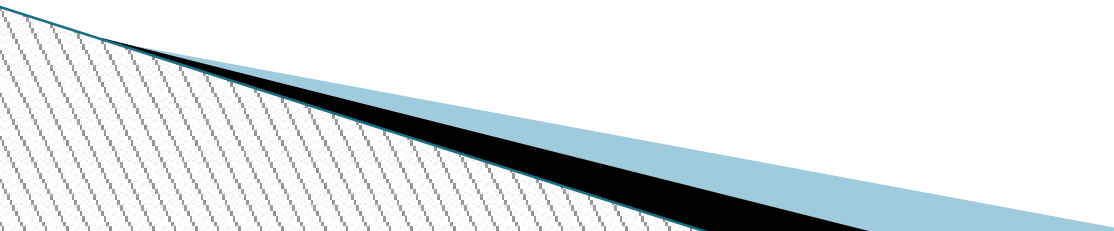
Decentralization of state power (public administration):

- ▶ Central government
  - ▶ Regional government
  - ▶ Local government
- 

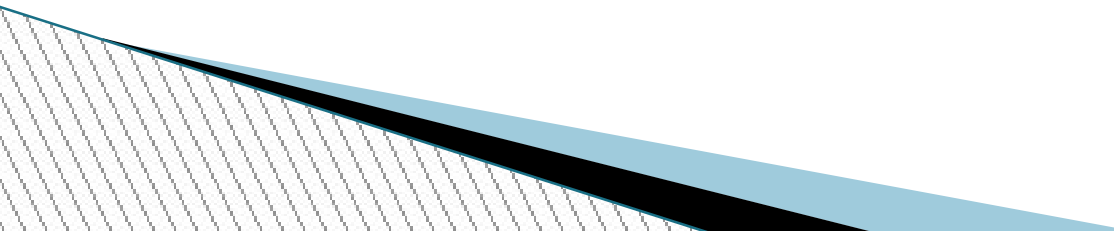
# Introduction

- ▶ 1993 – Czechoslovakia was split to 2 independent states
  - ▶ Administrative structure of the new state of unitarian nature was specified in the Constitution of the Czech Republic (3 levels of government of the Czech Republic with separate budgets – CG / RG / LG)
  - ▶ Problems with regional levels in term of administration (RG – districts with the absence of self-government features)
  - ▶ 2000 – districts were replaced by 14 self-governing regions by 2001
- 

# Local Governments

- ▶ Municipalities are basic administrative units
  - ▶ Intergovernmental expenditure assignments are driven mostly by principle of subsidiarity
  - ▶ Municipalities are responsible within own and delegated responsibility (from higher levels):
    - **Own:** elementary schools, street lighting, site planning, water distribution...
    - **Delegated:** civil registry (birth, marriage, and death), building codes, regulation and enforcement of laws pertaining to the environment...
- 

# Local Governments

- ▶ Municipalities are basic administrative units
  - ▶ Intergovernmental expenditure assignments are driven mostly by principle of subsidiarity
  - ▶ Municipalities are responsible within own and delegated responsibility (from higher levels):
    - **Own:** elementary schools, street lighting, site planning, water distribution...
    - **Delegated:** civil registry (birth, marriage, and death), building codes, regulation and enforcement of laws pertaining to the environment...
- 

# Regional Governments

- ▶ took over responsibilities from districts in 2001
- ▶ Responsibilities:
  - secondary school management
  - 2nd and 3rd class roads
  - Hospitals and social institutes Most of the
- ▶ Most of expenses are from delegated responsibility tasks
- ▶ RG are financed mostly by subsidies, the remaining is consisting of tax revenues and non-tax revenues (2 %)

# Czech republic and fiscal federalism

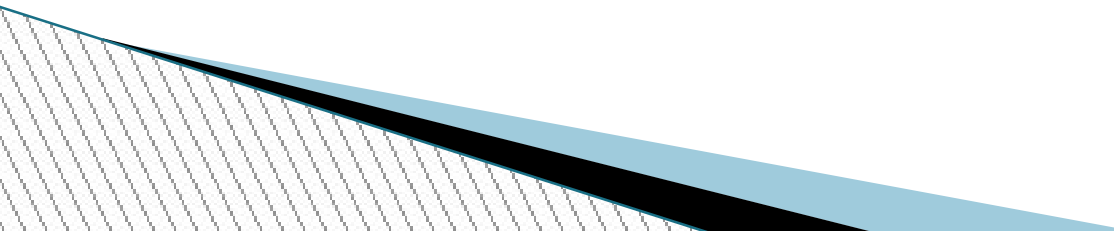
- ▶ Inhabitants 10 532 770
- ▶ 14 regions (Prague–municipality and region)
- ▶ 6 249 municipalities
- ▶ Special case– NUTS II. (created for monitoring EU statistic)
  
- ▶ Fiscal decentralisation involves the transfer of taxing and spending powers to sub–national levels of government

# Fiscal Federalism

- division of responsibilities: finance, tasks, policy (central government-localities)
- important questions:
  - Who makes the decisions about the programs?
  - Who pays for these programs?
- examples
  - Government rule – Localities administer
  - Government pays – Localities carry out



# Czech republic and fiscal federalism

- ▶ Inhabitants 10 532 770 (december 2010)
  - ▶ 14 regions (Prague–municipality and region)
  - ▶ 6 249 municipalities
  - ▶ Special case– NUTS II.–were artificially created only for monitoring EU statistic
  - ▶ Fiscal decentralisation involves the transfer of taxing and spending powers to sub–national levels of government
- 

# Czech Republic Case

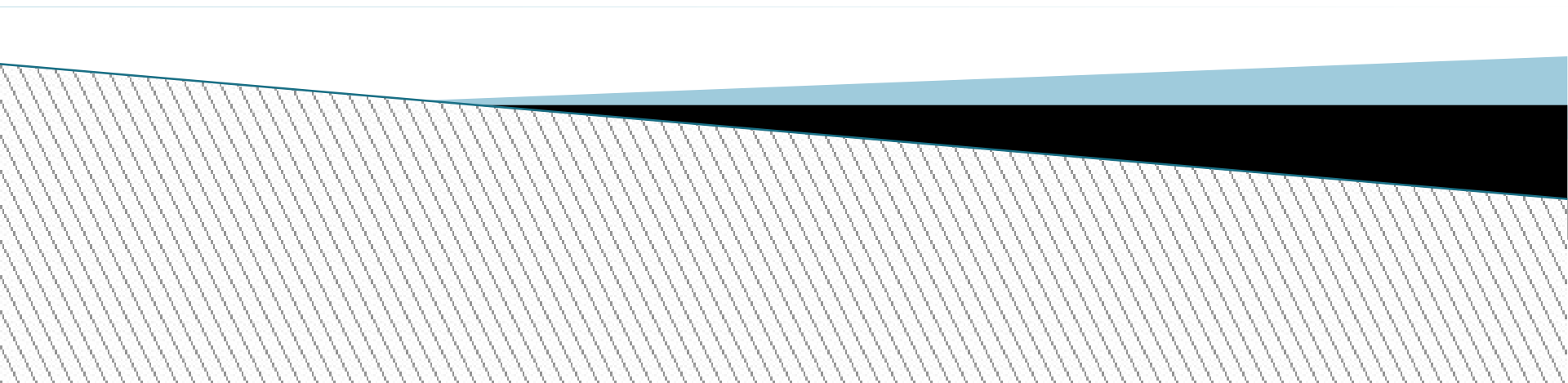
% GDP	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public budgets	43,9	43,0	42,2	38,7	37,7	38,3	39,6	40,7	42,8	43,1	41,1	42,2	42,3	39,7	40,2	45,0	42,2	41,7
State budget	31,6	31,3	29,8	27,8	27,4	27,9	28,6	28,3	28,4	30,6	29,0	29,0	30,8	28,6	29,0	32,0	30,4	30,1
Districts	1,6	1,5	1,4	1,2	1,0	1,0	0,9											
Regions								0,6	1,5	3,7	3,5	3,8	3,9	3,5	3,6	3,9	3,7	3,6
Municipal	7,8	8,0	7,8	7,1	6,8	7,1	7,5	8,3	8,7	9,6	9,2	7,4	7,7	6,9	7,0	7,3	7,7	7,2

# Fiscal decentralisation

	Regions	Municipalities
Own resources	38%	70%
Subsidies	62%	30%

# Finance in FF

- general revenue-sharing (in CR: budgetary determination of taxes)
- system of sharing income of taxes among central budget – regional budgets – municipal budgets



# Taxes Income Sharing I (CR)

## VAT

- central government budget – 71,31 %
- regional budgets – 7,86 %
- municipal budgets – 20,83 %

## Personal income tax, Company tax

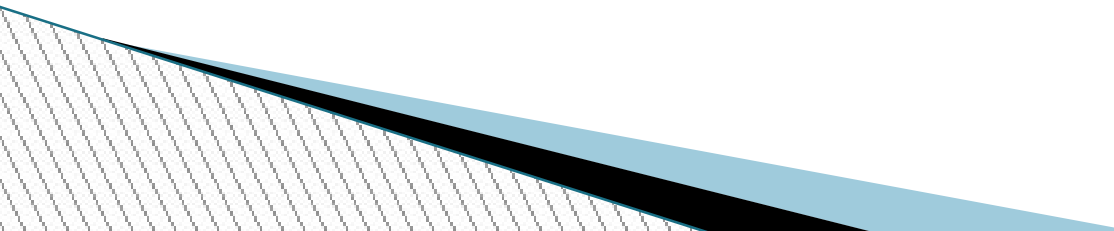
- central government budget – 67,50 %
- regional budgets – 8,92 %
- municipal budgets – 23,58 %

## Real estate tax

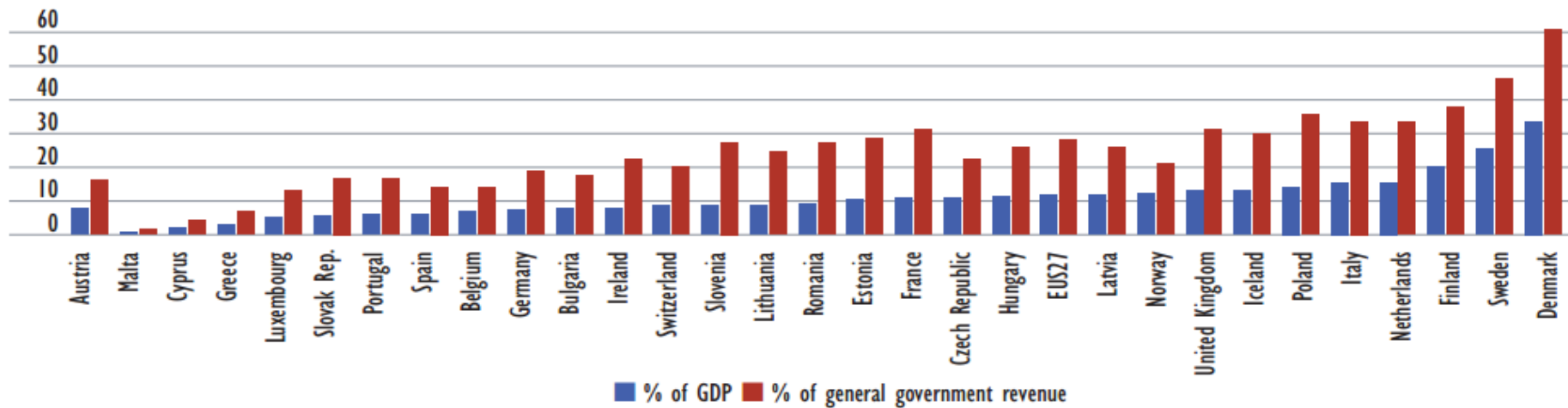
- municipal budgets – 100 %
- 

# Taxes Income Sharing II (CR)

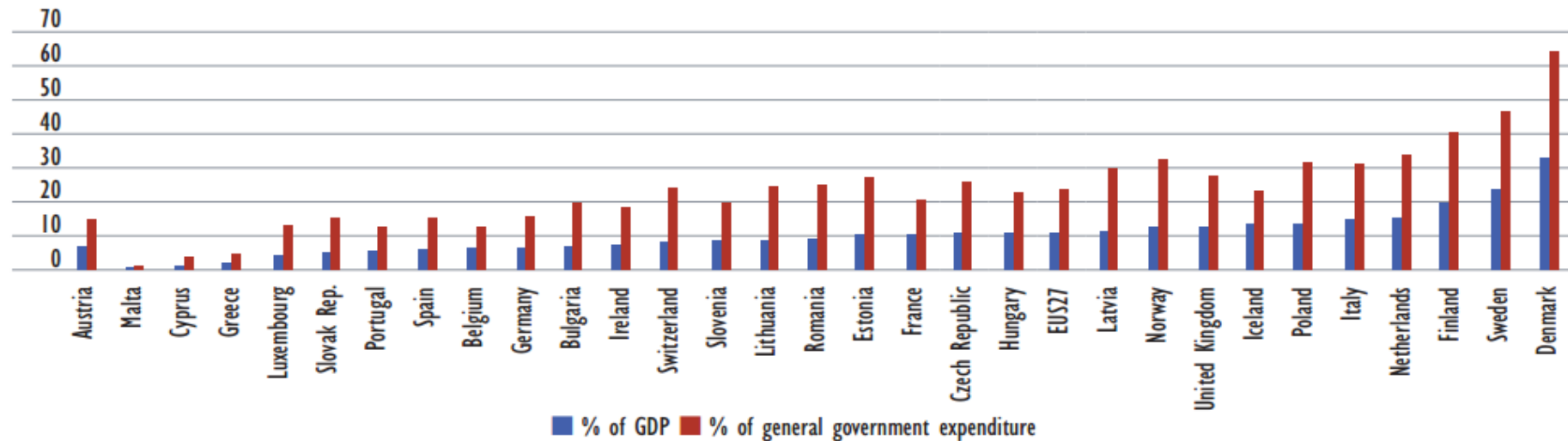
## Taxes income sharing criteria (Municipalities)

- catastral territory of a municipality (3%)
  - simple number of inhabitants in the municipality (10%)
  - multiples of gradual transitions (80%)
  - number of children and pupils attending a school run by a municipality (7%)
- 

## Local government revenue

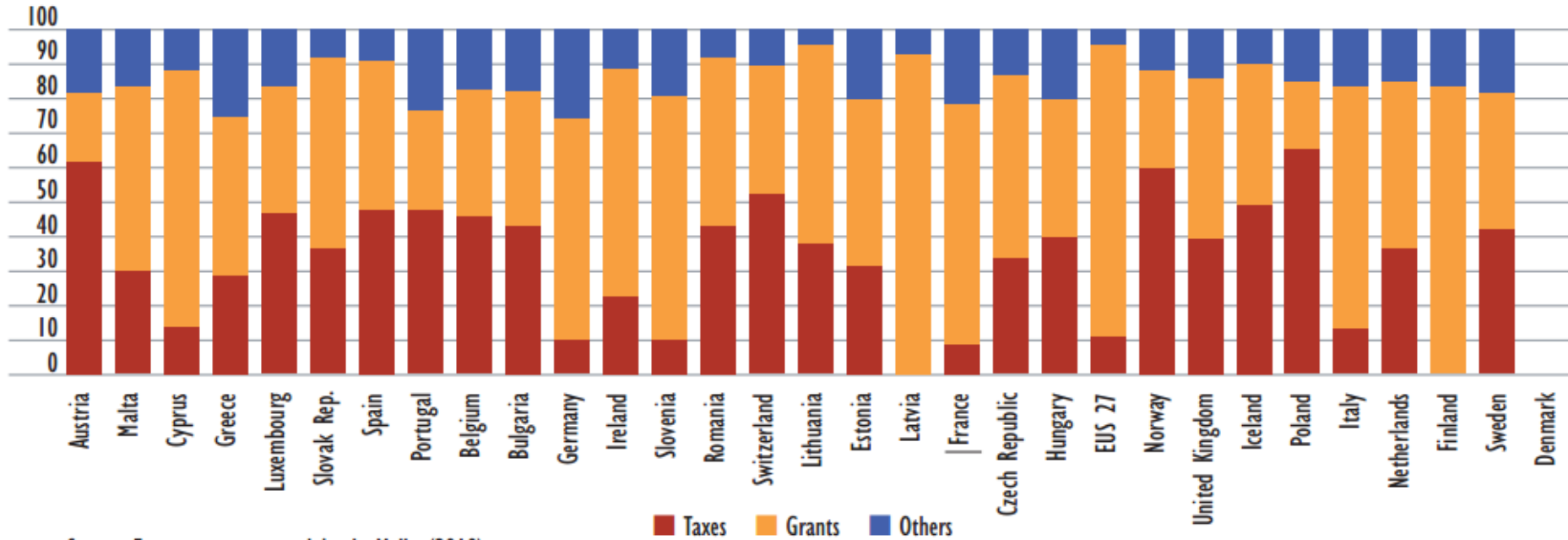


## Local government expenditure



Source: [http://www.ieb.ub.edu/phocadownload/informe-anual/en/InformeFF2010\\_i.pdf](http://www.ieb.ub.edu/phocadownload/informe-anual/en/InformeFF2010_i.pdf)

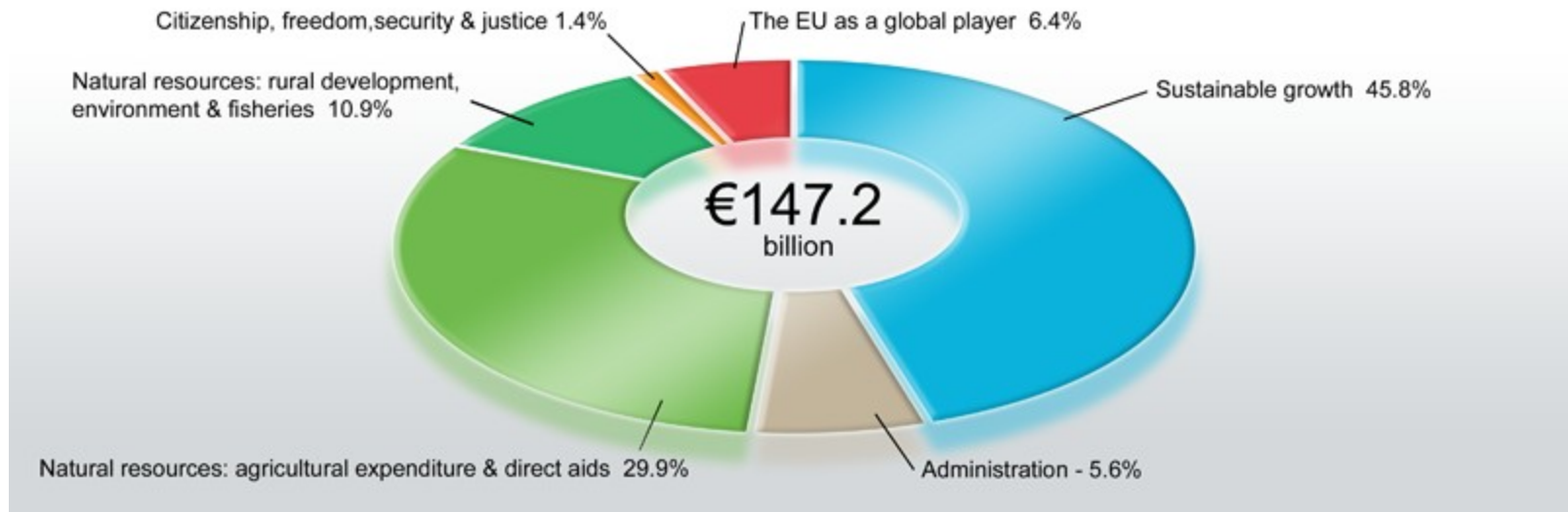
# Local government revenue

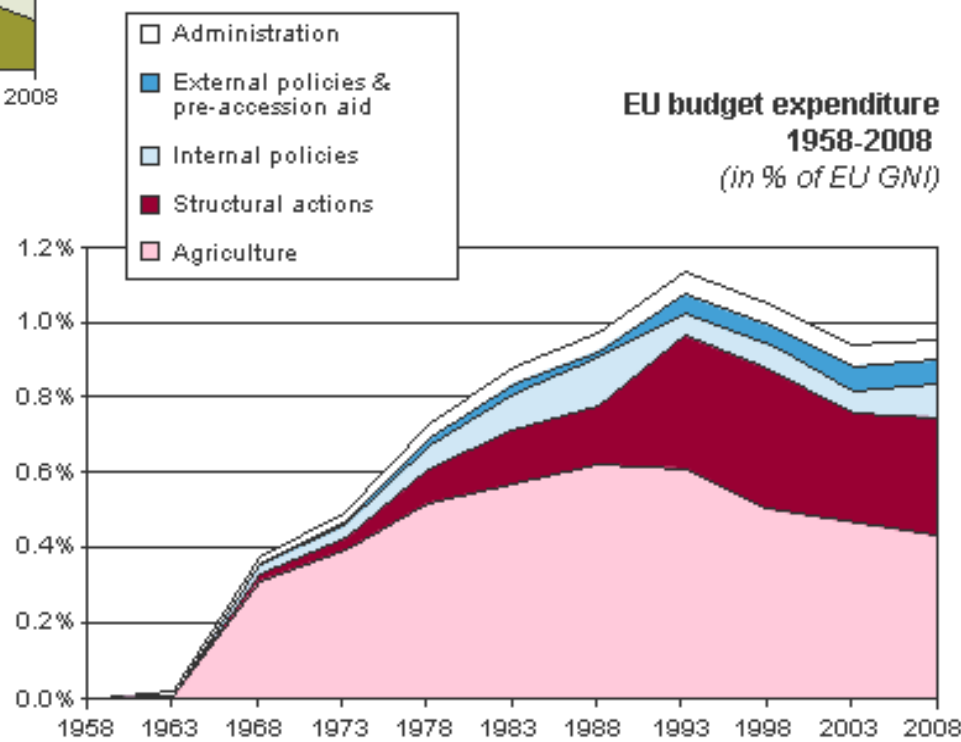
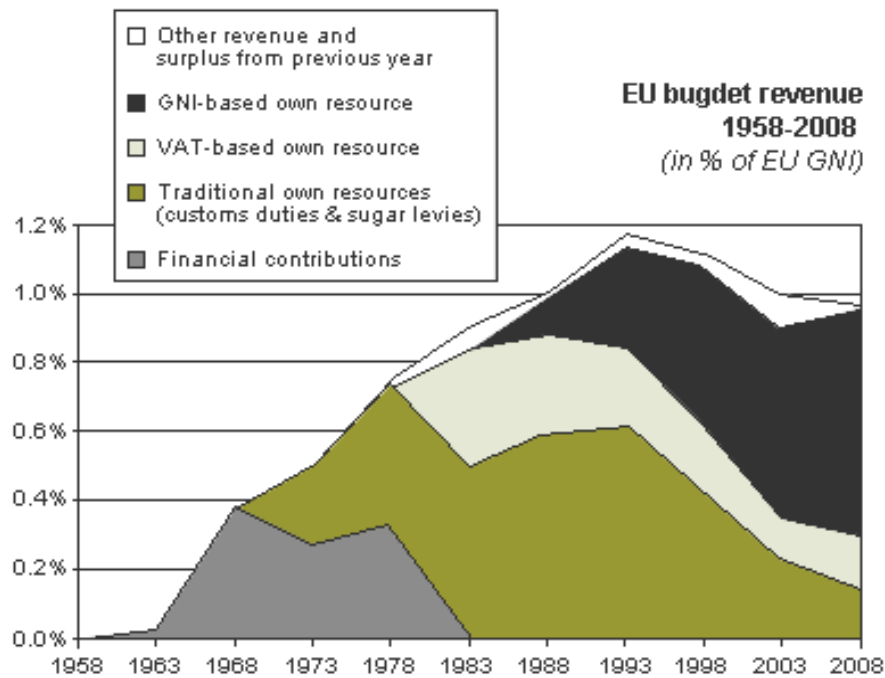


Source: Eurostat, as reported in de Mello (2010).



# EU finance



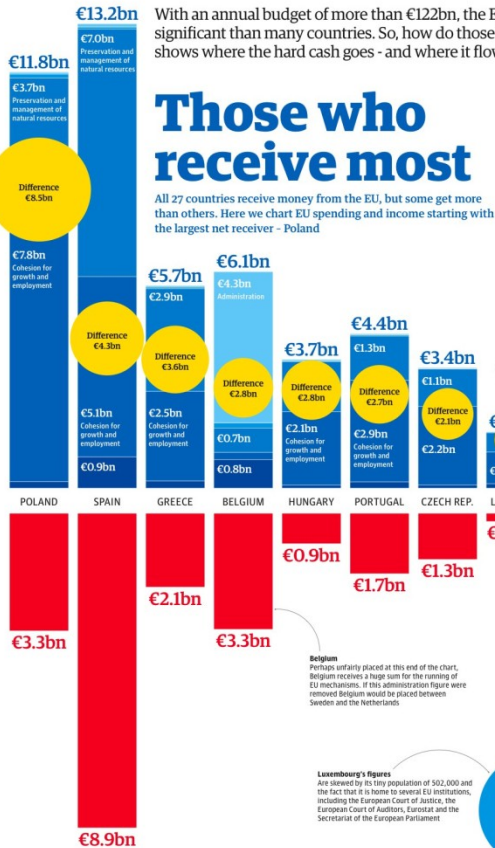


# Where does the European Union get its money from - and how does it spend it? the guardian

With an annual budget of more than €122bn, the EU is an economic power in its own right, more significant than many countries. So, how do those finances break down? This latest data, from 2010, shows where the hard cash goes - and where it flows from

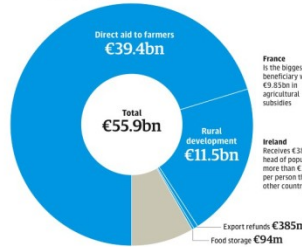
## Those who receive most

All 27 countries receive money from the EU, but some get more than others. Here we chart EU spending and income starting with the largest net receiver - Poland



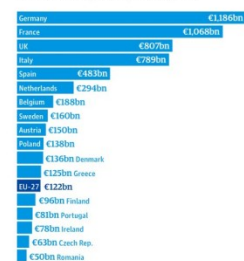
## What is the common agricultural policy?

The biggest single item of EU spending, covers farming and fishing



## If the EU were a country, how big would it be?

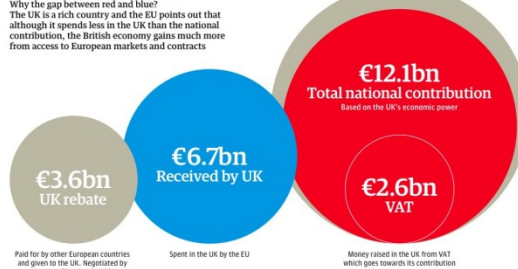
Based on total spending (latest figures)



## How the UK's EU money breaks down

Why the gap between red and blue? The UK is a rich country and the EU points out that although it spends less in the UK than the national contribution, the British economy gains much more from access to European markets and contracts

€14.7bn handed to EU  
Includes money raised in duties within the UK and passed on to Brussels. The UK receives a 25% fee of €6.7bn for this

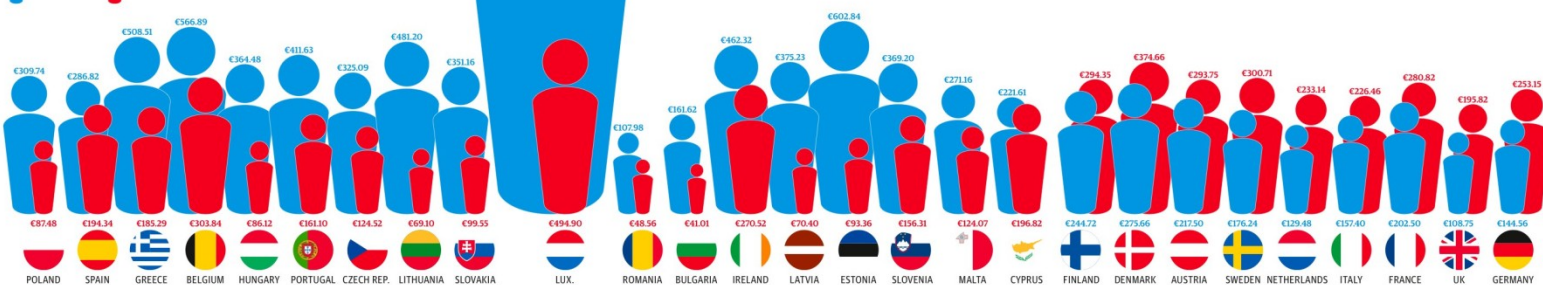


## Those who give most

At the other end of the chart are the net-givers - the economic and industrial powerhouses of Europe, led by Germany

## How much does each country give and receive per person?

National contributions from and spending in each country in € per person



Thank you for your attention :-)

