

Impact of Covid-19 pandemic crisis on environmental protection expenditures of Local Self Governments in Serbia

Nedeljko Ćurić

Standing Conference of Towns and Municipalities, Belgrade, Serbia

e-mail: nedeljko.curic@gmail.com

Abstract: Starting from March 2020 the working and living conditions in Serbia dramatically changed due to the Covid-19 Pandemic crisis. International Labour Organization and European Bank for Reconstruction assessed of the Employment Impact and Policy Responses in Serbia the coronavirus pandemic has hit micro enterprises in Serbia hardest and led to a decline in working hours during the second quarter of 2020 equivalent to the loss of 510,000 full-time jobs. Considering that significant part of LSGs in Serbia incomes comes from salaries' taxes, it is need to analyze the impact of Covid-19 pandemic on environmental protection in Serbia considering that development in that sector is under LSGs direct responsibilities. So, how the Covid-19 pandemic crisis affected to the Local Self Governments' in Serbia expenditures on environmental protection?

Key words: Covid-19 impact, programme budgeting, environmental protection

INTRODUCTION

The COVID-19 pandemic is a crisis like no other. It feels like a war, and in many ways it is. People are dying. Medical professionals are on the front lines. Those in essential services, food distribution, delivery, and public utilities work overtime to support the effort. And then there are the hidden soldiers: those who fight the epidemic confined in their homes, unable to fully contribute to production.¹

Considering that the topic of this paper is impact on Covid-19 Pandemic crisis on Local Self Governments' expenditures from its budgets on environmental protection, and the fact that majority of incomes comes from salaries' taxes (in the cities more than 41% while in the municipalities 25%), the main Serbian State measures on people's income will be presented: The lockdown in Serbia was strict. The authorities enacted several measures to facilitate remain at home and social distancing, including general requirements for workplace closures, curfews, restrictions on gatherings and movement within the country, border closure and mandatory quarantine. The containment measures during the state of emergency gradually deepened, with permanent lockdown for the elderly (65+), who were later allowed to leave their homes only between 4 a.m. and 7 a.m.; 84 hours of complete lockdown during major holiday weekends (Easter, Labor Day and soon); and 12 hour-long curfews between 5 p.m. and 5 a.m. From a labor market perspective, informality and the incidence of rural work may have mitigated the lockdown's stringency for certain categories of workers. By the first week of May, the country had begun to lift the lockdown gradually.

COVID-19 Containment measures adopted

Measures to contain movement: State of emergency declared on the 15th of March 2020 (lifted on the 6th of May 2020, election-related activities postponed until after state of emergency). School and workplace closures: Schools closed since the 15th of March. Online classes were held for the rest of the school year. Kindergartens closed on the 15th of March and re-opened (partially) on the 11th of May. All but essential shops closed until the 21st April when shops that offer services (for example, car mechanics, tailors) are allowed to re-open again. Restrictions on events and gatherings: All public gatherings banned between the 15th of March and the 6th of May. May and June: outdoor gatherings are allowed and indoor gatherings are limited to 500 persons. Since early July: all public gatherings limited to 10 persons.

As of the 3rd of August 2020, the following sets of policy measures had been adopted in Serbia.

Support for specific sectors, enterprises and employment retention Support for specific sectors. All medical staff received a 10 per cent wage increase from April 2020. Ban on export of medicines for

¹https://blogs.imf.org/2020/04/01/economic-policies-for-the-covid-19-war/?utm_medium=email&utm_source=govdelivery

30 days from 15 March. One-off assistance for hotels (EUR 500 per single room and EUR 850 per double room) provided that they do not lay off more than 10 per cent of the workforce until December 2020 (cost: RSD 1.25 billion or approximately EUR 10.7 million). Support for enterprises and business continuity: Favorable loans for liquidity were approved for 10,000 MSMEs, farms and cooperatives. Three-month moratorium on the payment of housing and other loans introduced for a three months period, ending on the 1st of July 2020. As of August, deferral of payment of social security contributions and payroll tax for one month. Employment retention measures: Doctors and nurses who volunteered during the pandemic were provided with full employment.⁸⁸ More than 1 million employees in 232,000 enterprises received the minimum wage (~ 275 USD per month) in May, June and July and 60 per cent of the minimum wage in August. Employees in public sector were guaranteed not to be laid-off and to retain their full salary. All employees in medium and large private enterprises who were laid off during the state of emergency will be paid 50 per cent of their monthly wages. Worker protection measures Unemployment benefits and social protection. One-off payment was given to all pensioners to buy basic hygiene and food products.².

Starting from 2015 Local Self Governments (LGS) in Serbia are obliged to plan budget expenditures per the following programmes (with number of programme activities) are defined³:

- Programme 1: Housing, Urban and Spatial Planning (5)
- Programme 2: Communal Service (8)
- Programme 3: Local Economic Development (3)
- Programme 4: Tourism Development (2)
- Programme 5: Agriculture and Rural Development (2)
- Programme 6: Environmental Protection (6)
- Programme 7: Traffic Organization and Traffic Infrastructure (2)
- Programme 8: Preschool Education (1)
- Programme 9: Primary Education (1)
- Programme 10: Secondary Education (1)
- Programme 11: Social and Child Care (8)
- Programme 12: Health Care (3)
- Programme 13: Culture Development and Information (6)
- Programme 14: Sport and Youth Development (4)
- Programme 15: Local Self Government Public Service (12)
- Programme 16: Local Self Government Political System (3)
- Programme 17: Energy Efficiency and Renewable Energy Sources (1)

Methodology

The methodology is based on the collecting of data on LSGs incomes and expenditures achieved and planned, for the following periods: I-VI and I-XII of 2019, I, I-II, I-III, I-IV, I-V, I-VI of 2020.⁴ The data is presented by functional, economic and programme classification. The focus of this analysis is on data on the following programmes related to environmental protection under jurisdiction of LSGs⁵: Communal Service (Programme 2), Programme 6 (Environmental Protection) and Programme 17 (Energy Efficiency and Renewable Energy Sources. Also, economic classification will be considered

²COVID-19 and the World of Work Rapid Assessment of the Employment Impacts and Policy Responses SERBIA, International Labor Organization, in collaboration with European Bank for Reconstruction and Development, 1st September 2020

³ More about measuring effectiveness and efficiency of budget expenditures can be found on Ćurić N., CONTRIBUTION OF SERBIAN LOCAL SELF-GOVERNMENTS TOWARD ENVIRONMENTAL PROTECTION EFFECTIVENESS AND EFFICIENCY, BASED ON THE PROGRAMME BUDGETING, VII International Conference Industrial Engineering and Environmental Protection 2017 (IIZS 2017), October 12-13th, 2017, Zrenjanin, Serbia, page 94

⁴ Data were collected in the Standing Conference of Towns and Municipalities starting from May up to August 2020

⁵ Ćurić N., CONTRIBUTION OF SERBIAN LOCAL SELF-GOVERNMENTS TOWARD ENVIRONMENTAL PROTECTION EFFECTIVENESS AND EFFICIENCY, BASED ON THE PROGRAMME BUDGETING, VII International Conference Industrial Engineering and Environmental Protection 2017 (IIZS 2017), October 12-13th, 2017, Zrenjanin, Serbia, page 94

as well - the count 511 connecting expenditures of the following project cycles phases as per Decree⁶: Pre-implementation (identification, preparation, revision, selection) and Implementation phases. 107 LSGs sent data but only 56 of them sent data on all periods, which therefore presents the basis for this analysis. Data of the City of Belgrade, are not included, considering that Belgrade's incomes in the first six months of 2020 contributes in 30.5% of total budget incomes of all LSGs in Serbia (145) and 29.0% of all expenditures⁷. Received data from 56 LSGs present 56% of sum of all LSGs' budget for 2019 (without Belgrade) and 36.06% with Belgrade, covers 43.61% of territory without Belgrade and 41.78% with Belgrade and includes 52.14% inhabitants without Belgrade and 39.48% with Belgrade. Also, LSGs from all parts of Serbia are presented, proportionally, so the sample can be considered as representative (without Belgrade).

RESULTS AND DISCUSSION

In the following charts present the gathered data in order to set data for the discussion and conclusion.

The impact of Covid-19 on Serbian LSGs incomes and expenditures

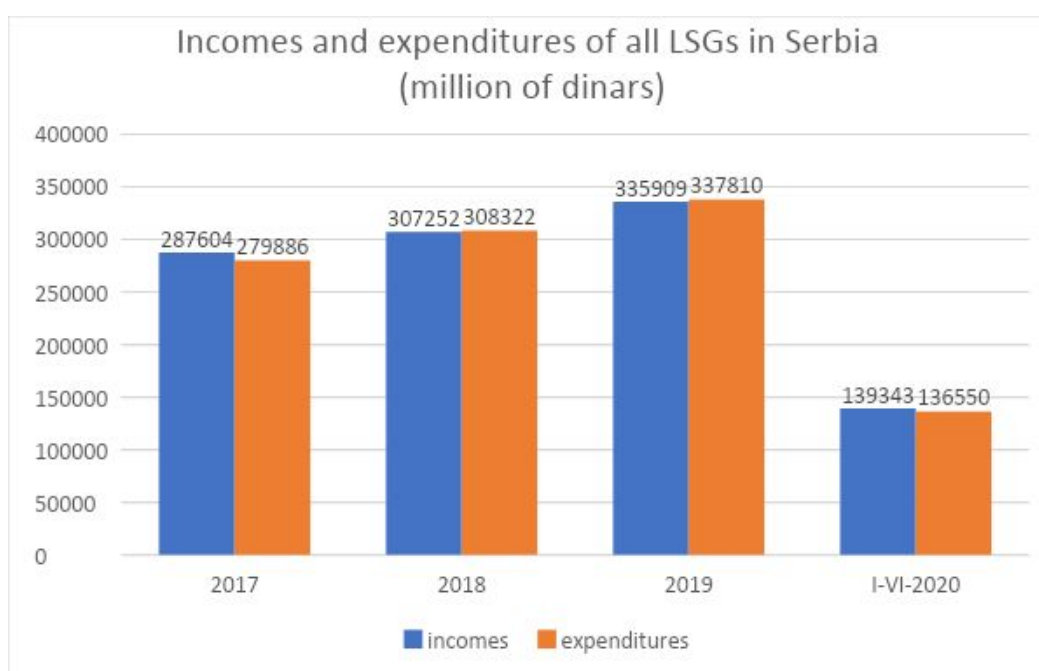


Chart 1. Incomes and expenditures of all LSGs in Serbia (million of dinars)⁸

⁶Decree on Capital Projects Management (Serbian Official Gazzete, no 51 from 19th July 2019)

⁷Public finance bulletin 6/22, number 190, Belgrade 2020, Republic of Serbia Ministry of Finance

⁸Source: Public finance bulletin 6/22, number 190, Belgrade 2020, Republic of Serbia Ministry of Finance

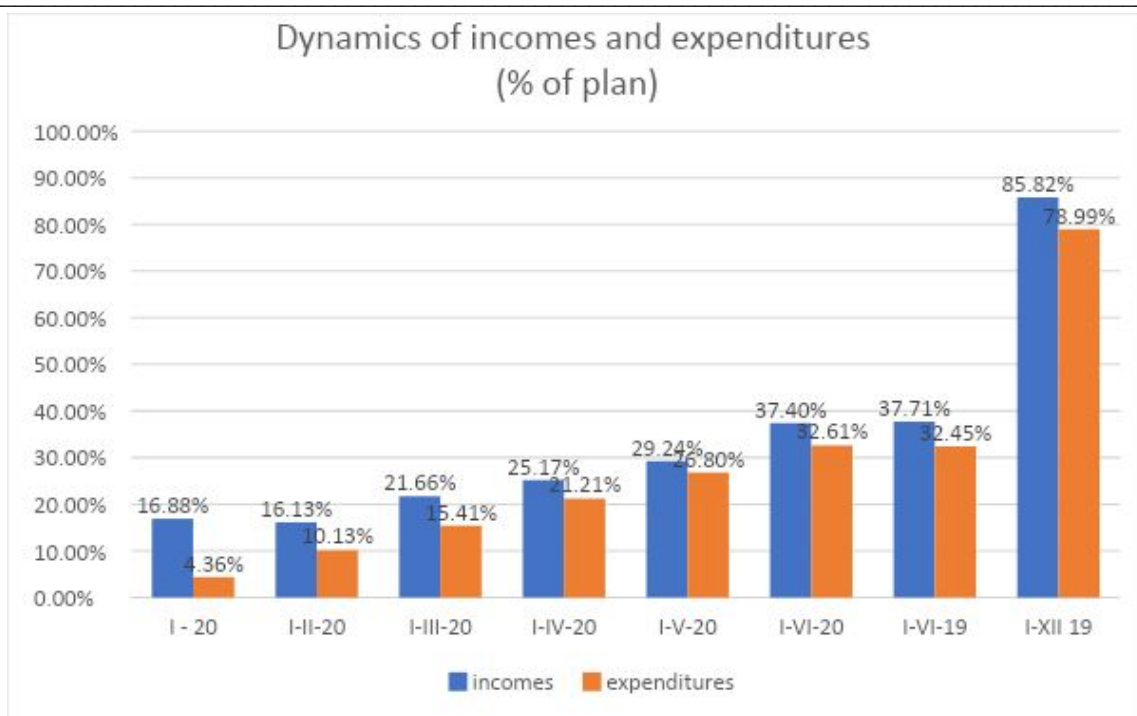


Chart 2. Dynamics of incomes and expenditures for selected LSGs per periods (% of the plan achievements)

Data from the Charts 1 and 2 shows that although the level of plan achievements in the first six months of 2020 reached the level from 2019, it should be larger considering the expected increasing at minimum level of approx. 6%, leads to the conclusion of stagnation of incomes in the selected LSGs caused by Covid-19 Pandemic.

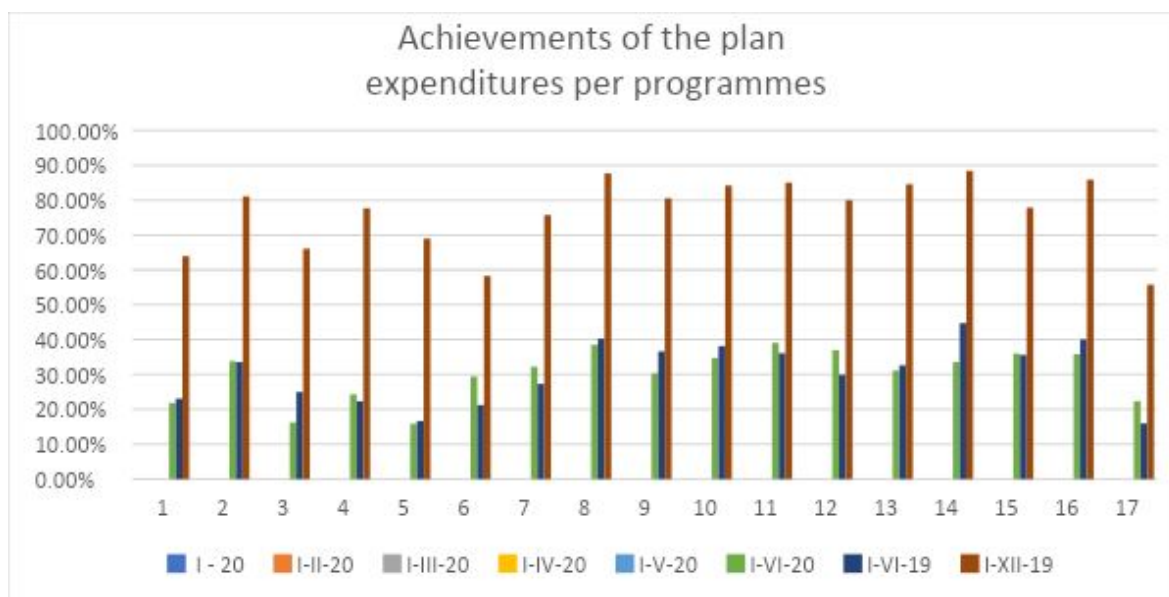


Chart 3. Achievements of the plan expenditures per all budget programmes (%)

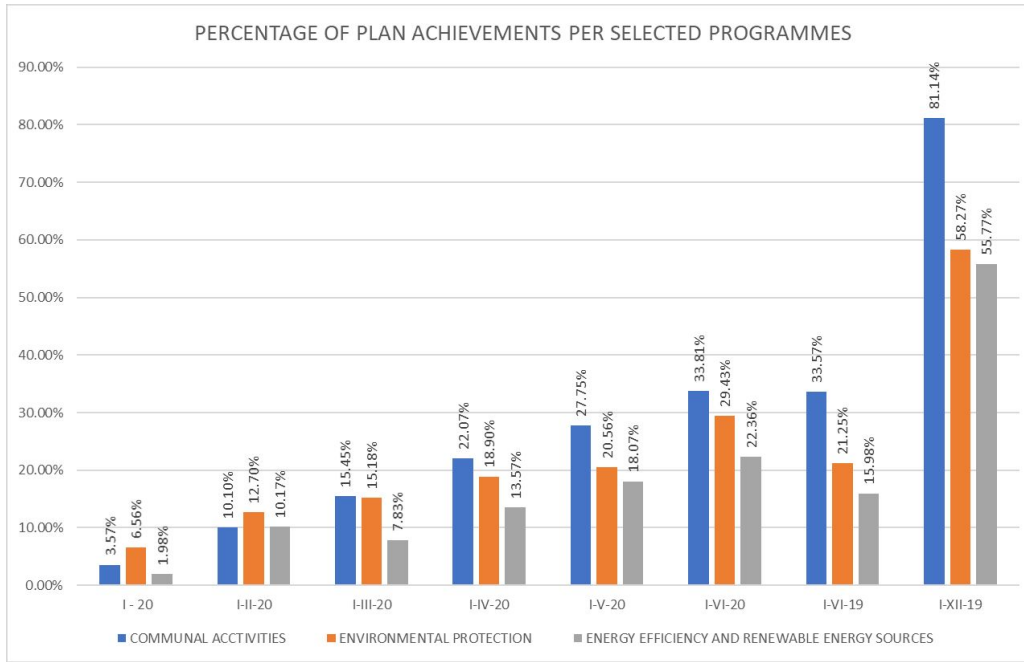


Chart 4. Achievements of the plan expenditures per selected budget pogrammes (%)

According to the data from Charts 3 and 4 it is visible that achievement of the plan significantly lagging behind in the following programmes: Local Economic Development (3), Primary Education (9), Secondary Education (10), Sport and Youth Development (14), while in the sector Communal Service (2) is on the same level as for the first six months of 2019. In programmes Environmental Protection (6) and Efficiency and Renewable Energy Sources (17) there are even higher than in the same period of last year ensuring positively expectation to achieve the same level by the end of the year.

However, those indicators should be justified by in depth analysis of the type of investments in the targeted programmes which is show in the following charts.

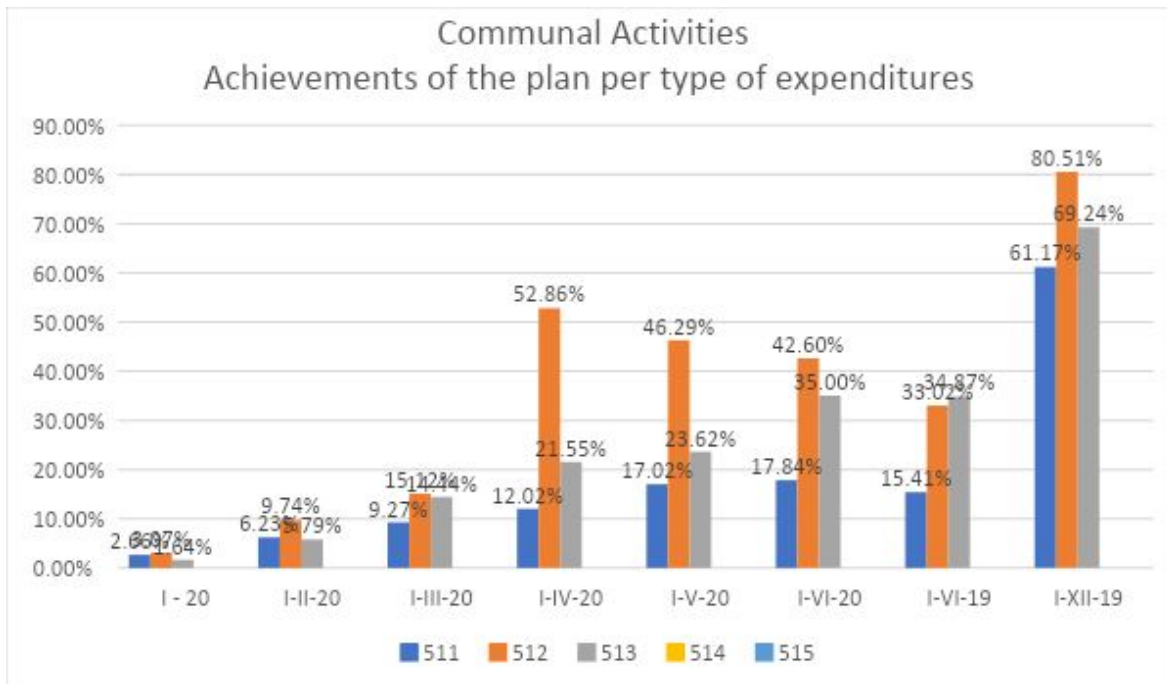


Chart 6. Achievements of the plan expenditures per programme Communal Activities-2 (%)

Programme Communal Activities covers following competencies of Local Self Governments:

- Public lighting
- maintenance of public green areas
- maintaining cleanliness in public areas
- zoo hygiene
- Maintenance of green markets
- cemetery maintenance and funeral services
- Production and distribution of thermal energy
- Management and supply of drinking water

According to the graph 3 it is visible that by measuring the percentage of the plan achievement in the selected LSGs, investment in constructing of premises (account 511) slightly decreased while investment in machinery (account 512) increased and investment in other assets (including leasing) increased, too.

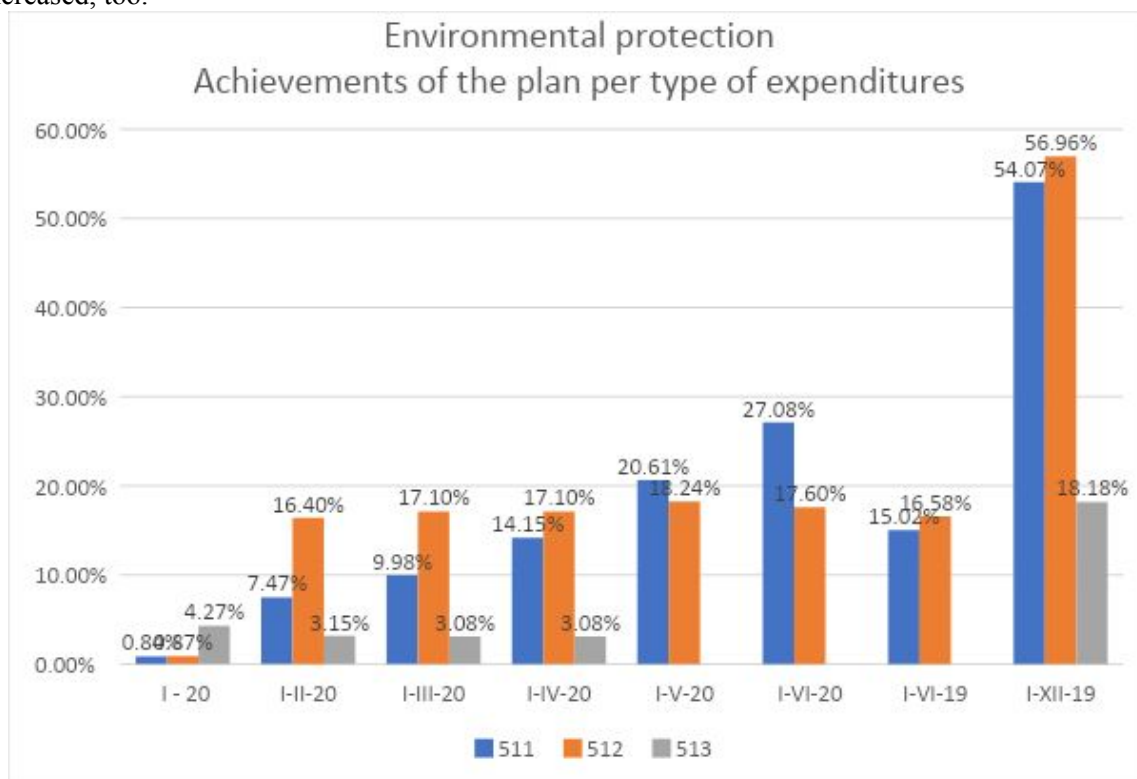


Chart 7. Achievements of the plan expenditures per programme Environmental Protection-6 (%)

Programme Environmental Protection covers following competencies of Local Self Governments:

- Environmental protection management,
- Monitoring the quality of environmental elements
- Nature protection,
- Waste water management,
- Communal Solid Waste management,
- Management of the other type of communal waste

Considering Environmental Protection, it is shown that by measuring the percentage of the plan achievement in the selected LSGs, investment in constructing of premises (account 511) decreased – looks even naturally with expectations to be achieved at the level as it was in last year. Investments in machinery and equipment (account 512) seem stabile and even slightly higher than in the first half year of 2019. Finally, investment in other assets (including leasing) significantly decreased as it was in the first six months last year.

Chart 9. Capital expenditures per budget programmes (%)

CONCLUSION

Although the income of LSGs in Serbia has decreased by approx 10 percent in the first six months of 2020 comparing with the first six months of 2019, in the selected LSGs the expenditures related to environmental protection staid stabile and even inxreased in the same period. The less income were compensated by less needs and expeditures in the programmes of Elementary, Secondary school, Sport. From the other side The coronavirus pandemic has hit micro enterprises in Serbia hardest and led to a decline in working hours during the second quarter of 2020 equivalent to the loss of 510,000 full-time jobs. However, offering “the most generous and comprehensive economic package among the Western Balkan economies,” the Serbian government successfully contained “the expansion of poverty”, according to a new report by the European Bank for Reconstruction and Development (EBRD) and the International Labour Organization (ILO), published today[1]. Considering that Covid-19 pandemic will last by the end of this year, it is still need at LSGs level to manage its finances with greater care.

- [1] COVID-19 and the World of Work Rapid Assessment of the Employment Impacts and Policy Responses SERBIA, International Labour Organization, in collaboration with European Bank for Reconstruction and Development, 1st September 2020.
- [2] Ćurić, N., CONTRIBUTION OF SERBIAN LOCAL SELF-GOVERNMENTS TOWARD ENVIRONMENTAL PROTECTION EFFECTIVENESS AND EFFICIENCY, BASED ON THE PROGRAMME BUDGETING, VII International Conference Industrial Engineering and Environmental Protection 2017 (IIZS 2017), Zrenjanin, Serbia, pp 94-99, 2017.
- [3] Decree on Capital Projects Management (Serbian Official Gazette, no 51 from 19th July 2019.
- [4] https://blogs.imf.org/2020/04/01/economic-policies-for-the-covid-19-war/?utm_medium=email&utm_source=govdelivery.
- [5] Public finance bulletin 6/22, number 190, Belgrade 2020, Republic of Serbia Ministry of Finance.