

Welcome

Municipal budgets - Municipal finances and
transparency

(Visit of a delegation from Zambia and Zimbabwe)

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Who am I?

Katharina Suhren

- I am a scientific associate at the Association of German Cities
- I am working in the department of Finance
- I studied law
- You are welcome to write me an e-mail: katharina.suhren@staedtetag.de



Topics

- I. How does municipal financing work in Germany?
- II. How to implement Transparency and Accountability?
- III. The role of the Association of German Cities in municipal financial reforms

How does municipal financing work in Germany?

Federal Republic of Germany, Federal States and Municipalities

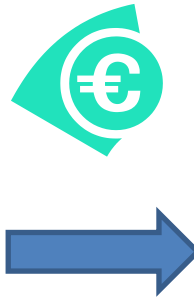


Federal Republic of Germany, Federal States and Municipalities



How does municipal financing work in Germany?

In principle, the federal government finances the federal states as part of the federal-state financial equalization system:



How does municipal financing work in Germany?



Participation in federal taxes



Financial allocations from the federal states



Self-imposed taxes, contributions and fees

Participation in Federal Taxes



Community share of sales tax (2,2 % p.a)

Financial Allocations from the Federal States



Within the federal states, the federal states are obliged to provide the municipalities with adequate financial resources.

Financial allocations to the municipalities are made according to law and according to a certain distribution key.

This is different in each federal state!

Self-imposed Taxes, Contributions and Fees

The municipalities have their own income like:

- Self-imposed taxes (Property tax, trade tax, dog tax)
- Contributions (e.g. road improvements contributions)
- Fees (e.g. garbage fees, administrative services)



Debts?

- Whether debts are allowed depends on the laws in the federal state
- However, many municipalities in Germany are in debt. Especially in North Rhine-Westphalia, Hesse and Saarland
- We discuss political solutions. Partly, there are already debt relief programs by the federal states.

How to implement Transparency and Accountability?

Creating Municipal Budgets

- Municipal budget law
- Two actors:



Municipal Administration



Municipal Council

Creating Municipal Budgets



Municipal Administration



Municipal Council

Transparency and Accountability

- The local council can demand an account from the municipal administration at any time
- Every municipality has a Bureau of Auditors (by law!)
- At the end of the financial year, annual accounts must be prepared. The municipal council examines the maintenance of the budget.
- Budget and annual accounts are accessible to the citizen
- Budget and annual accounts are checked by the federal state (supervisory authority)

The role of the Association of German Cities in municipal financial reforms

The role of the Association of German Cities in municipal financial reforms

Examples:

- Reform of local budget law
- Reform of the general municipal financing

Legal Status of the Association of German Cities

- Partizipation by law
- Participation by other regulations (for example: rules of procedure)
- no right of action of the Association of German Cities; municipalities can file a constitutional complaint if they see their constitutional right to self-government violated
- Participation of the German Association of Cities leads overall to a higher acceptance and a common decision-making of the municipalities.

Thank you for being here!