

Local Finance Benchmark

The Basque approach



2015-10-08. Chisináu.

1. Basque Institutional Framework.

Basque Powers



Industry



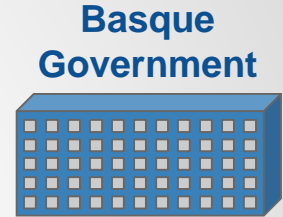
Education



Health Care



Police Forces



Basque Government

Provincial Powers



Tax collection



Social Welfare



Agriculture



Technical support and financial backing to the local authorities



Provincial councils

Local Powers



Waste management



Cemeteries



Local taxes



Culture & Sport



Parks and gardens



Water management



Local authorities

Democratically elected chambers

1. Basque Institutional Framework.

Segments of population

251
municipalities

2,189,000
inhabitants

> 100,000 inhab..... 3

50,000 – 100,000 inhab..... 3

10,000 – 50,000 inhab. 36

2,000 – 10,000 inhab. 63

500 – 2,000 inhab. 84

< 500 inhab. 62

> 100,000.....3

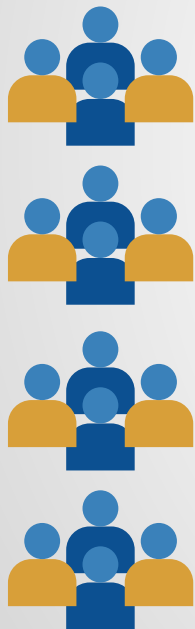
< 100,000.....248

2. Local Finance Benchmark. WHY?

2.1 Social / Public demand

Why the interest in best practices in financial and budgetary issues?

Citizens



Involvement



Transparency



municipalities



Services

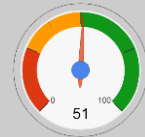


2. Local Finance Benchmark. HOW?

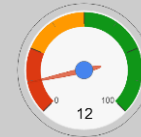
2.2 Available methodology

In short, what is LFB?

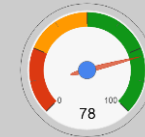
System of Indicators with implicit recommendations.



Financial



Transparency



Citizen
Participation

Based on:

Financial Resources of Local and Regional Authorities Rec (2005)

Financial and Budgetary Management at Local and Regional Levels Rec(2004)

3. LFB. BASQUE APPROACH

3.1 Monitoring group

Basauri, Bilbao, Galdakao, Getxo, Ermua....WHO?

- Participation in innovative initiatives and best practices about:
 - ✓ Transparency
 - ✓ Public ethics
 - ✓ Gender equality
 - ✓ Finances
 - ✓ Citizen involvement
- Audit as a management tool.

Some awards...



- **Bilbao. 2011.** EPSA award winner for the project “Political management based on economic stringency and strategic budgets”.
- **Bilbao. 2008-2015.** Municipal transparency award.
- **Getxo. 2015.** Municipal transparency award.
- **Ermua. 2012.** Pioneering work in favor of equality of women and men award.

3. LFB. BASQUE APPROACH

3.1 Monitoring group

Town	BASAURI (Bizkaia)
Population	41,624 inhab. (2014)
Budget	€ 56,330,000 (2014)
Business	Services (65,7%), Industry (27,9%), Construction (6,3%) and Agriculture (0,1%) (2012)
Population segment	10,000 – 50,000 inhab.

Town	BILBAO (Bizkaia)
Population	346,574 inhab. (2014)
Budget	€ 530,296,000 (2014)
Business	Services (87,6%), Industry (6,9%), Construction (5,4%) and Agriculture (0,1%) (2012)
Population segment	< 100,000 inhab.

Town	GALDAKAO (Bizkaia)
Population	29,351 inhab. (2014)
Budget	€ 36,314,000 (2014)
Business	Services (67,3%), Industry (24,3%), Construction (8,2%) and Agriculture (0,2%) (2012)
Population segment	10,000 – 50,000 inhab.

3. LFB. BASQUE APPROACH

3.1 Monitoring group

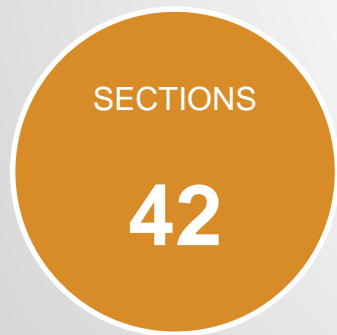
Town	GETXO (Bizkaia)
Population	79,544 inhab. (2014)
Budget	€ 130,910,000 (2014)
Business	Services (88,9%), Industry (4,2%), Construction (6,8%) and Agriculture (0,1%) (2012)
Population segment	50,000 – 100,000 inhab.

Town	ERMUA (Bizkaia)
Population	16,109 inhab. (2014)
Budget	€ 24,061,000 (2014)
Business	Services (52,6%), Industry (37,4%), Construction (9,9%) and Agriculture (0,1%) (2012)
Population segment	10,000 – 50,000 inhab.

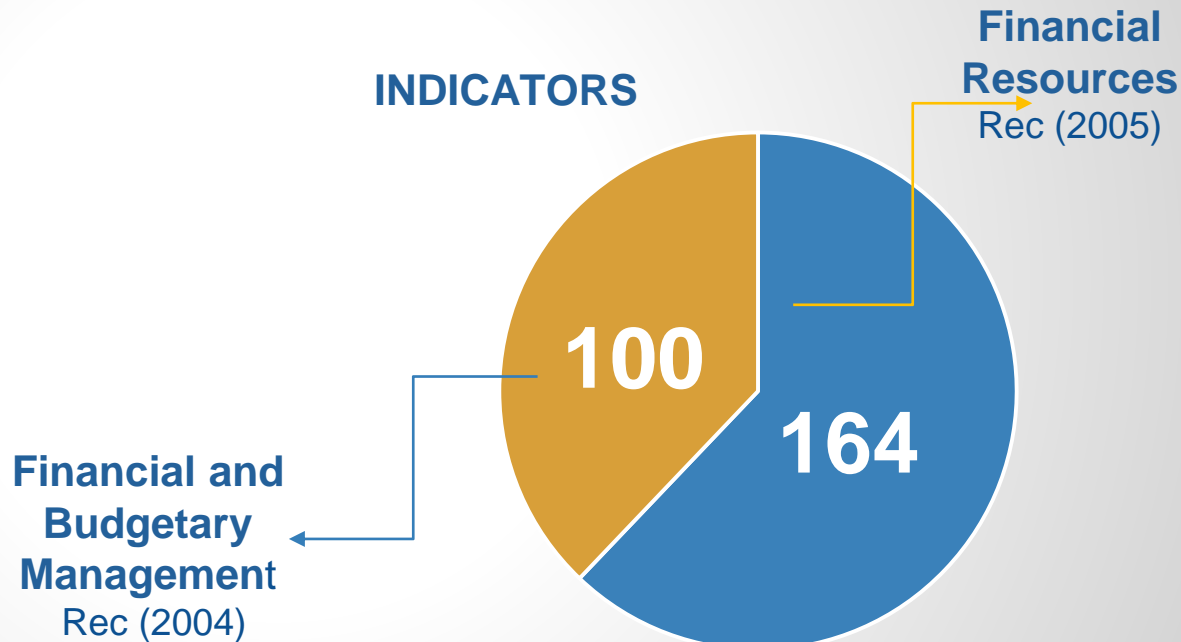
3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

LFB ORIGIN



INDICATORS



3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

ADAPTATION

GOAL

To have a complete directory of procedures in both areas (financial resources and financial management) which implementation and appropriate checkup will guarantee the aim of best practices in the mentioned areas.

UNDER CRITERIA

- To keep the LFB Toolkit frame.
- Indicator = procedure. We try to avoid the overuse of ratios.
- To check with the law, to be useful and achievable.

3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

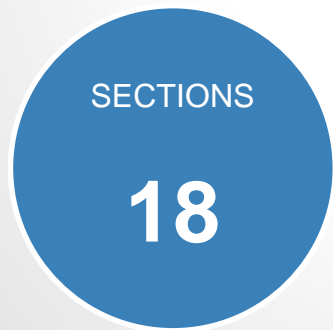
ADAPTATION

RESULTS

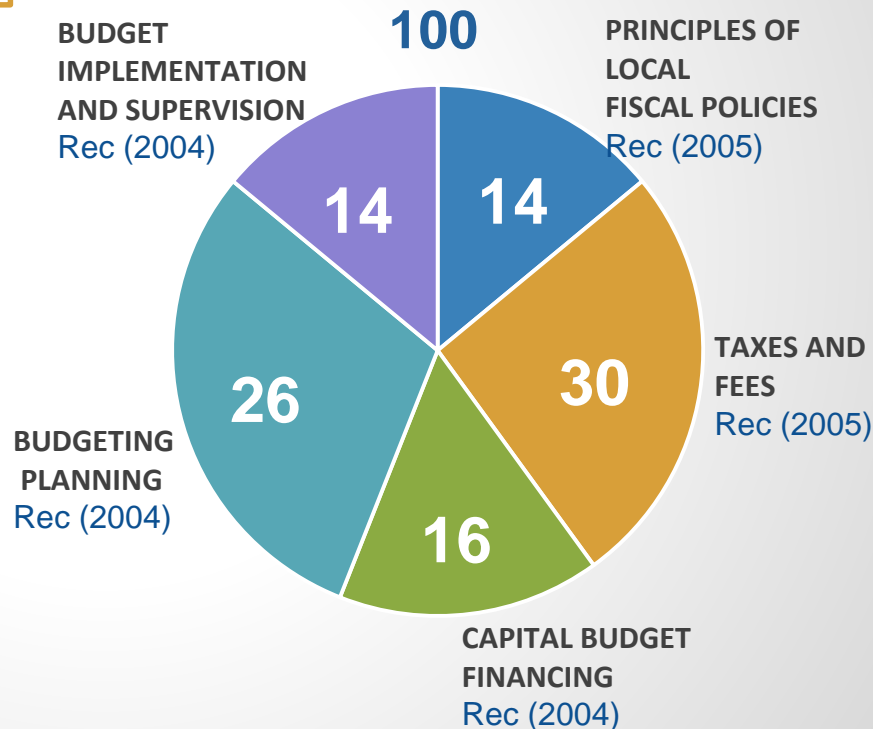
From 264 indicators



To 100



INDICATORS

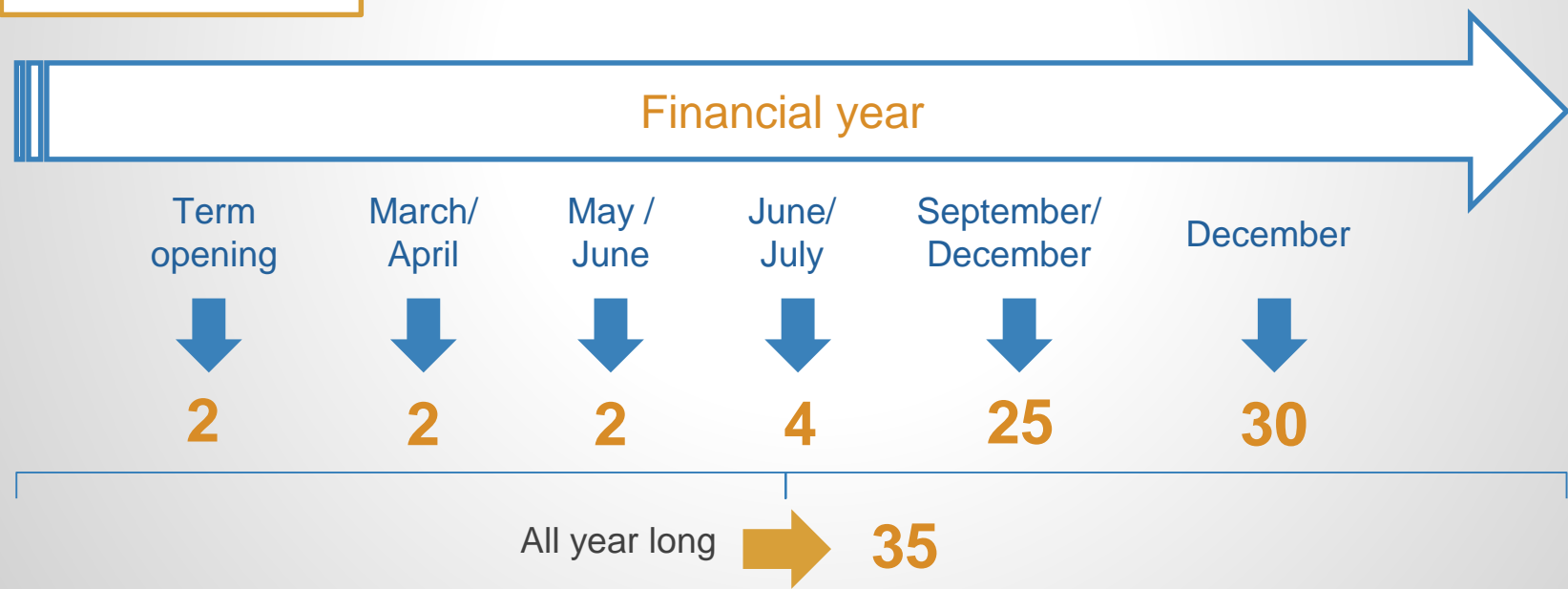


3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

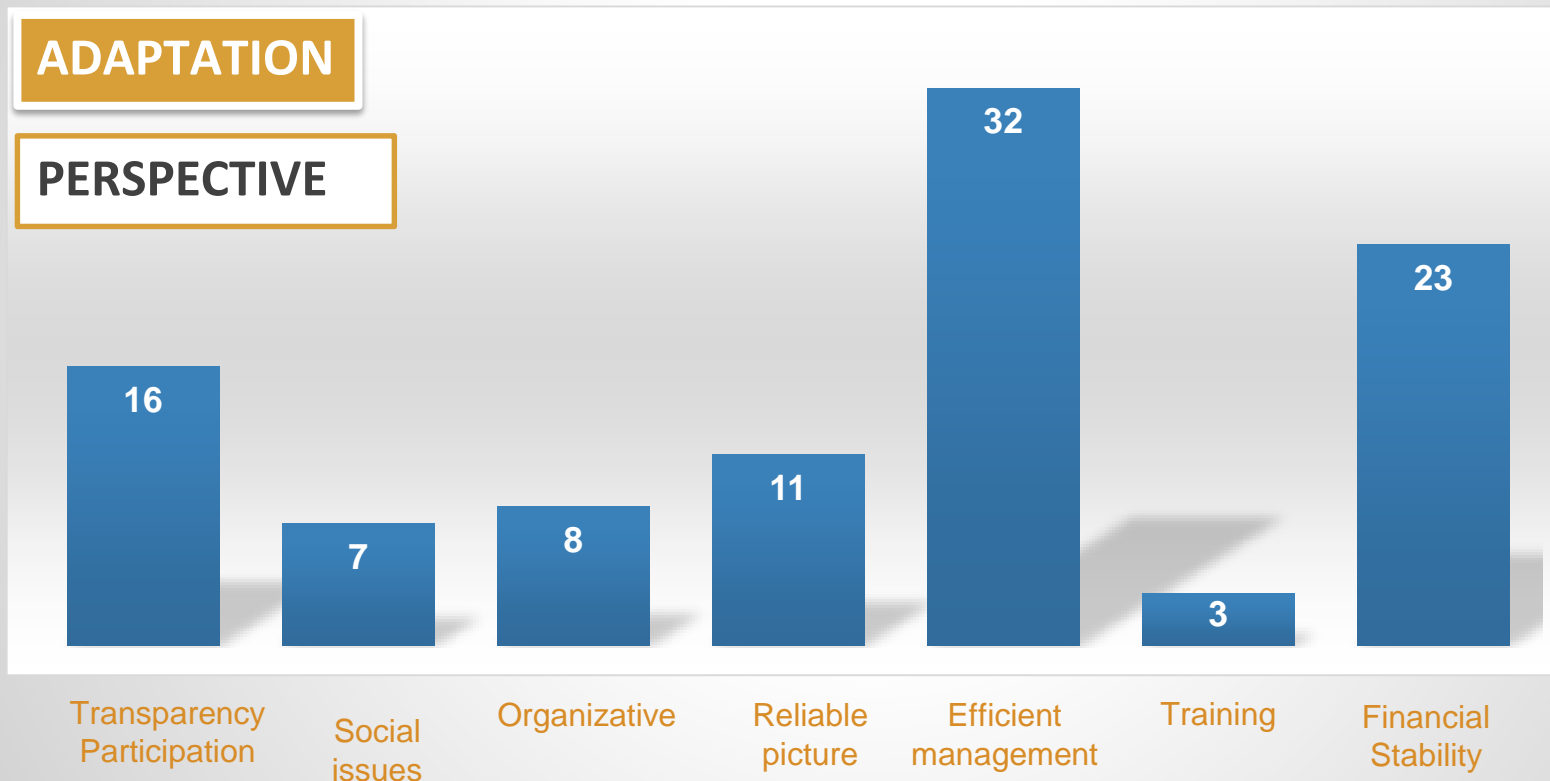
ADAPTATION

CHRONOLOGY



3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit



3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

PRINCIPLES OF LOCAL FISCAL POLICIES

SECTIONS

- Design of tax policies
- Transparency and citizen involvement
- Tax timing
- Use of ICT's
- Development of professional competences and skills of the local public servants



3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

TAXES AND FEES

SECTIONS

- Tax Policies
- Information and Advertising policy
- Tax Administration
- Audited Tax System
- Fees and charges



3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

CAPITAL BUDGET FINANCING

SECTIONS

- Capital budget financing
 - Efficient management of local investments
 - Suitable financing
 - Short term loans and cash management
- Local property
 - Rules of control of the assets and liabilities
 - Long term financial stability



3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

BUDGETING PLANNING

SECTIONS

- Fiscal strategy design
- Budgeting methods and capacity
- Budgeting procedures
- Fiscal policy objectives



3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

BUDGET IMPLEMENTATION AND SUPERVISION

SECTIONS

- Special rules of budget adjustments and implementation
 - Regular evaluation and budget adjustments limited
 - Independent opinion on final reports
 - Transparency related to subsidiary organizations
 - Efficient management of the services provided by the local authorities
- Special control and supervision on activities



3. LFB. BASQUE APPROACH

3.3 Evaluation

The toolkit has no evaluation system, so we had to develop a specific one for the Basque reality

- Two Aims – Two risks
 - To avoid subjetivity
 - To skip a system where all the indicators have the same importance.

CRITERIA

- Relevance of the procedure / indicator
- Areas to analyze:
 - Existence
 - Completed and well done
 - Evidence provided
- All of them divided into:
 - Compulsory
 - No expressly regulated
 - Ratio

4. Conclusions / Lessons

- The Need to simplify the toolkit.
- To work with a monitoring group rather than just a municipality has enriched the project (tackling the diversity and complexity of the municipalities).
- The importance of an evaluation system focus on objectivity.
- The toolkit is not a self-assessment process.



5. Next steps / Challenges

1. To fix not only the toolkit but also the evaluation system by the end of this year.
2. To expand the size of the sample. In both geographical and in terms of size of municipalities.
3. To develop a reduced toolkit for smaller municipalities.
4. To benchmark the results inside the Basque country and with other countries/regions in Europe.
5. To keep the toolkit updated, rethinking the indicators, eliminating useless and incorporating new demands.

By the end of this year



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CONSEIL DE L'EUROPE

EUDEL

EUSKADIKO UDALEN ELKARTEA
ASOCIACIÓN DE MUNICIPIOS VASCOS



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GRUPO DE
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