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EU-CoE Joint Project

“Technical assistance on institutional enhancement for local governance” in Greece

Benchmarking Local Financial Resources and Financial Management

I. Background

The Local Finance Benchmarking programme (LFB) aims to support the improvement (i) of the institutional framework of decentralisation and of (ii) the capacity of local governments to implement new legislations in this field. Benchmarking as an analytical instrument and development tool is based on the Council of Europe's Committee of Ministers Recommendations on Financial and Budgetary Management at Local and Regional Levels (Rec(2004)1) and the Financial Resources of Local and Regional Authorities (Rec(2005)1 + Russian version), prepared with the OECD, IMF, the World Bank and OSF.

The benchmarks developed by the Centre of Expertise for Local Government Reform of the Council of Europe (CoE) evaluate how the *fiscal decentralisation system* meets these recommendations. Local Finance Benchmarking is primarily used for diagnostic purposes. However, through evidence based analysis and quantifiable results it also helps to specify the areas of intervention, to design policies and to prioritise development actions at national level.

Benchmarking covers the following technical areas of intergovernmental fiscal relations (revenue side) and financial management: general principles of financial resources, local taxation, grant allocation policies and methods, fees and charges, borrowing, sound financial management framework (budgeting and budget implementation), limitations on local finances, mechanism of identifying local financial difficulties.

II. Local Financial Benchmarking activity in Greece

CoE standard benchmarks will be tailor-made for Greece and will serve as a checklist for assessment of fiscal decentralisation, intergovernmental fiscal relations in the field of local resources and municipal financial management. Parallel to the LFB survey, a disaggregated local finance database will be developed with approximately 50 core fiscal and statistical data.

The benchmarking will be implemented in two stages:

- Firstly, the CoE standard benchmarks will be adapted to the specific Greek context;
- Secondly, the LFB survey will be implemented at local level by evaluating the legal regulations, the administrative practices and by utilising the fiscal dataset.

This activity is organised by the Council of Europe (Project Officer, Claudia Piferi claudia.piferi@coe.int) and supported by the Regional Development Institute (Ms Chara Loka xaraloka@yahoo.gr).

III. Purpose of the first round of meetings

The first round of consultations aims at exchanging views with a number of stakeholders to support the development of Greek benchmarks. The CoE experts Mr Gabor Peteri (peteri@pontes.hu) and Mr Yannis Psycharis (psycharis@panteion.gr) will address different areas of the LFB questionnaire. Among others:

1. *General local finance regulations*: inventory of local functions, powers of State Decentralised Authorities in finances;
2. *Local taxation*: tax laws (ENFIA and others), local tax administration, enforcing mechanisms on arrears;
3. *Local fees, charges*: regulations on locally levied and collected fees, fines, dues, rules of local user charge setting;
4. *Fiscal equalisation, grant allocation regulations*: tax sharing, regulations on KAP, information basis of grant design, specific grants and emergency grants allocation rules;
5. *Local government borrowing*: local debt regulations, rules and practices of municipal debt consolidation;
6. *Budgeting, fiscal planning*: national and local budgetary procedures, an annual budget and report on implementation, budget amendment rules, a sample local government budget and an annual report;
7. *Financial management*: local government accounting, treasury system, regulations on financial management in the public sector (disbursement, revenue collection, managing left-overs, intervention in local decision, capital markets), local government employment regulations (ASEP), legal control (supervision) and financial audit of local, code of ethics in financial management.