

Programmatic Cooperation Framework for
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Local Finance Benchmarking: Assessing Local Finances and Financial Management in Georgia

Kakabadze Natalia
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- The project started in May 2016
- We worked out the questionnaire and methodology and tested it in 2 target cities
- In July-September 2016 we will work on LFB in all selected municipalities
- In October 2016 we will complete and disseminate LFB report

For the Local Financial Benchmark

- 7 LSGs were selected: Zugdidi, Kutaisi, Akhaltsikhe, Gori, Rustavi, Marneuli and Gardabani

For the assessment

- We choose four stage scale: from “zero” to “ten” with 4 and 7 as intermediate ones

I. Cooperation with the national tax authority in collecting property taxes

- Database of local (property) tax payers
- Local tax policy
- Openness of decision on introduction of property tax
- Share of local taxes in total local revenues

Tips on how we'll apply the scores

Database of local (property) tax payers

- The database doesn't exist – 0
- Some info about taxpayers exist (the number, large taxpayers) – 4
- The database exists in electronic form or “on paper”-7
- The database exists and is updated regularly-10

Openness of decision on introduction of property tax

- The decision is unknown for the public - 0
- The announcement was published/released during the short period-4
- The decision has been published on the LSGs web-site-7
- The decision has been published on the LAGs web-site with the explanation how the rate(s) are to be calculated and applied-10

II. Fees, charges and miscellaneous revenues

- User charges vs service costs
- Charges vs demand for services
- Using extra revenues for service development and capital investment

III. Capital Budget Financing

- Local capital investments management
- Funding of capital expenditures from diverse sources
- Borrowing practices

IV. Local Property Management

- Local property recording and registration (database)
- Recording of assets and liabilities
- Organisational rules on asset management transparency
- Managing of municipal companies and non-commercial legal entities (NLEs)

Using ITs

For:

- In information processing
- Analyzing
- Management
- Financial operations

Capacity Building of Local Public

Servants

- Staff trainings and qualification improving
- Availability of the staff with financial qualification
- Ethics and conflict of interests

I. Fiscal Policy

- Policy framework (priority documents, strategies and budgets)
- Medium-term planning

II. Budgeting Practice

- Technical capacity in budget preparation procedure
- Annual Budget structure
- Explanations of performance

III. Budgeting procedures

- Involvement of elected bodies
- Debate and adoption of major investment projects
- Openness of budget documents

IV. Administration Policy

- Strategies to decrease administrative/management costs
- Involvement of NPE in services delivery
- Cooperation with other local authorities

V. Budget adjustments and implementation

- Monitoring and reporting of budget implementation
- Budget adjustment(s) during the year
- Fiscal relations between the local government and its subsidiary organisations

VI. Control and accountability

- Internal audit
- Using of external consultants service
- Reporting to citizens

During the testing the following issues were risen:

- How to apply minimum (0), maximum (10) and intermediate rates (4 and 7) for local taxes share in total local revenues?
- How to better measure whether local charges and fees reflect the local social and economic policies?
- How to better apply rates for the number of the budget adjustment during the year?
- How to better measure the financial cooperation of LGs and their subsidiary organisations ?
- Should the LFB include the local budget expenditure assessment indicators?