

Programmatic Cooperation Framework for  
Armenia, Azerbaijan, Georgia, Republic of Moldova, Ukraine and Belarus

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COUNCIL OF EUROPE



Implemented  
by the Council of Europe

TOWARDS A MORE EFFICIENT LOCAL GOVERNMENT IN EASTERN PARTNERSHIP  
COUNTRIES: NEW WAYS AND TOOLS  
SHARING THE EXPERIENCE

ADAPTING LOCAL FINANCE BENCHMARK TOOLKIT TO COUNTRY  
SPECIFIC MOLDOVA

7-8 JULY, 2016  
BATUMI, GEORGIA

# BENCHMARKING LOCAL FINANCES

Two complementary instruments:

- **I. Local Finance Benchmarking toolkit (LFB)**
- **II. Local Finance Database and Indicators (LFD&I)**

# LOCAL FINANCE BENCHMARKING TOOLKIT

CoE Recommendations on financial resources and management:

**Financial and budgetary management  
(2004)**

**Financial resources  
(2005)**



## **LFB TOOLKIT – 2013 REVISION (CELGR)**

- 34 items on financial management
- 47 items on financial resources

# MOLDOVAN EXPERIENCE IN BENCHMARKING LOCAL FINANCES

- Piloting Local Finance Benchmarking toolkit – December 2015 – June 2016
- Develop Local Finance Database and Indicators – on going

# MAIN STEPS IN PILOTING LFB TOOLKIT

- Selecting the list of pilot localities – 10 localities (5 – city and 5 - villages).
- Adapting LFB Toolkit to Moldovan reality.
- Developing scoring tool.
- Piloting adapted LFB Toolkit.
- Reporting with LFB results.
- Adjusting LFB Toolkit.

# ADAPTING LFB TOOLKIT

<b>LFB TOOLKIT (CELGR)</b>	<b>LFB TOOLKIT ADAPTED</b>
34 items on financial management	11 items on financial management
47 items on financial resources	22 items on financial resources

# ADAPTING LFB TOOLKIT

LFB TOOLKIT (CELGR)	LFB TOOLKIT ADAPTED
<ul style="list-style-type: none"> <li>• Local revenue policies should be approved by elected bodies (R.1)</li> <li>• Decisions on revenues should be made parallel to expenditure (R.4)</li> <li>• Local government associations should be involved in drafting local tax regulations (R.5)</li> </ul>	<p>Excluded</p>
<ul style="list-style-type: none"> <li>• Budgetary and financial discussions should be made at open meetings (R.2)</li> <li>• Impact assessment of local revenue policies should be made public (R.3)</li> <li>• Local tax policy should be designed in an open, transparent way (R.10)</li> <li>• Information and explanation on local taxes and tax regulations should be made public (R.15, R.17)</li> </ul>	<p>Merged - Draft budget developed by the local authority should be opened and discussed publicly (R.2, R.3, R.10, R.15, R.17)</p>

# DEVELOPING SCORING TOOL

The raking tool is based on Basque country one but is much simple:

- All sections/areas are assessed based on their actions/indicators (67).
- The score for a section/area is determined as an arithmetic average of the scores awarded to actions/indicators they belongs to.
- The actions/indicators are assessed by assigning a maximum score of 10 points, depending on three assessment factors:
  1. Appropriate and full implementation of the actions/indicators – maximum 6 points;
  2. Degree of embracing/formalization – maximum 2 points;
  3. Adequacy of evidence provided – maximum 2 points.



# DEVELOPING SCORING TOOL

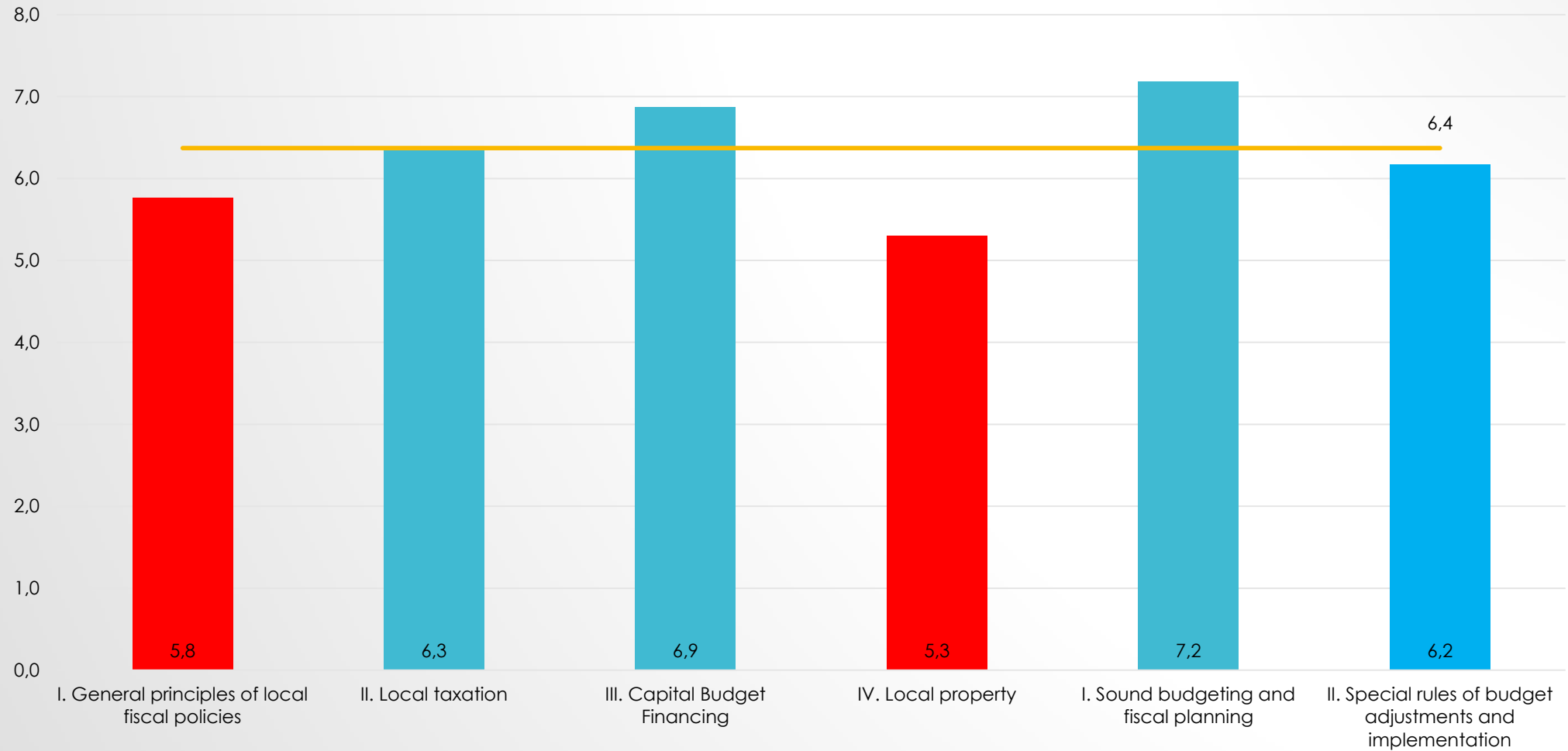
Appropriate and full implementation of the actions/indicators - identify the results obtained with the implementation of the procedure in one of those three bands:

- Excellent – 5,5 – 6,0 points.
- Satisfactory – 2,5 – 5,0 points.
- Insufficient – 0,0 – 2,0 points

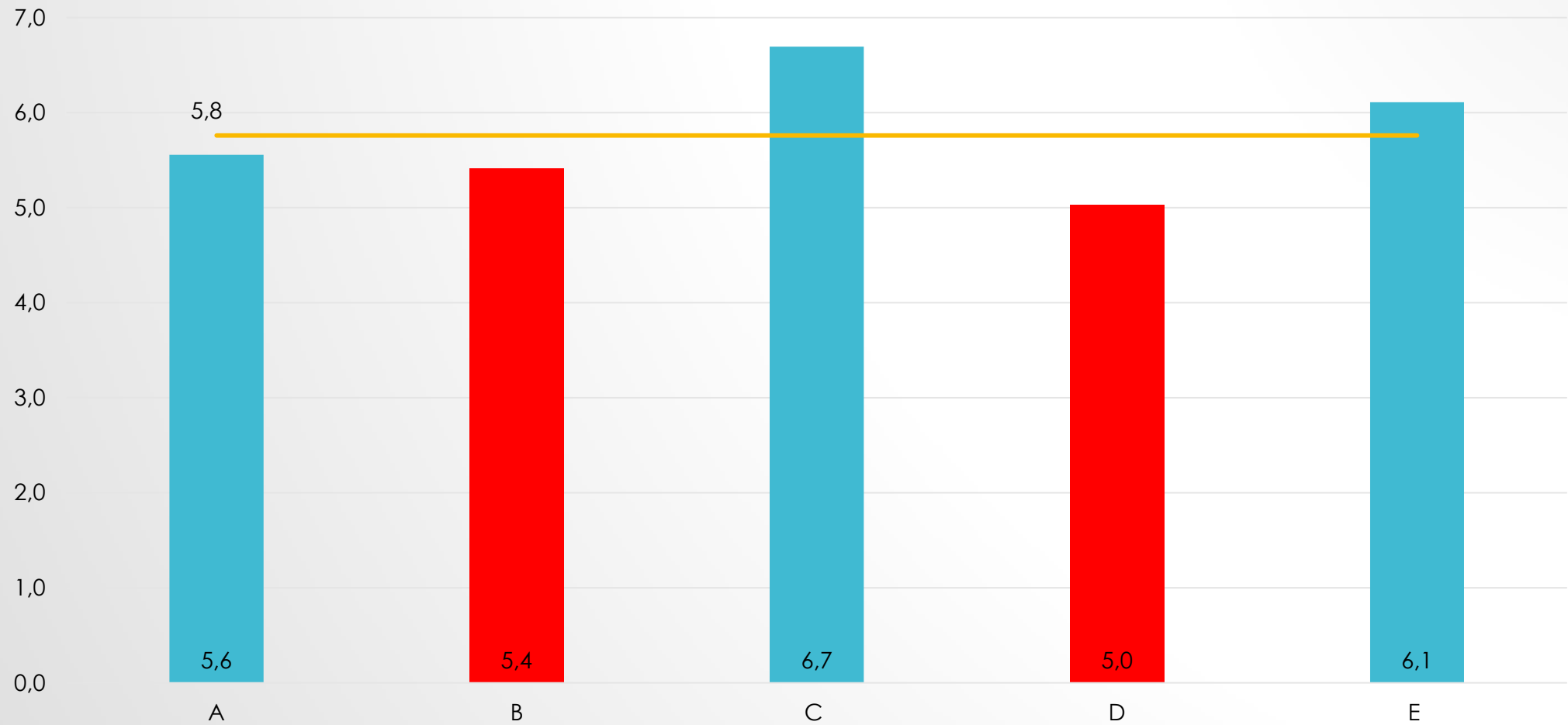
# EXAMPLE OF THE WORKING TOOL

SECTION and AREA (with reference to the number of the Recommendation)	ACTIVITY, INDICATOR	Appropriate and full implementation			Degree of embracing/ formalization (0-2,0)	Adequacy of evidence provided (0-2,0)	Score
		Excellent (5,5-6,0)	Satisfactory (2,5-5,0)	Insufficient (0-2,0)			
FINANCIAL RESOURCES							6,3
I. General principles of local fiscal policies							5,6
1. Transparency and involvement of the public							6,2
1.1 Draft budget developed by the local authority should be opened and discussed publicly (R2, R3, R10, R15, R17)	<ul style="list-style-type: none"> <li>Public access to draft budget through local mass-media, website etc.</li> <li>Participation of the public at local council meetings during discussions of the budget</li> </ul>		4		1	1,5	6,5
1.2 Approved local budget is made public (R3, R10, R17)	<ul style="list-style-type: none"> <li>The annual budget decision is published through all possible channels of communication</li> </ul>		3		1	2	6,0
1.3 The report on local budget execution is made public (R16, R17)	<ul style="list-style-type: none"> <li>Discussion of local budget execution at the local council is opened to public participation</li> <li>The local budget report is published through all possible channel of communication</li> </ul>		3		1	2	6,0
2. Use of IT							6,5
2.1 Managerial efficiency should be improved by IT (R6)	<ul style="list-style-type: none"> <li>Local government has a website</li> <li>Draft council's documents are put on the website</li> <li>Local authority's personnel has and using emails</li> </ul>		5		1	1	7,0
2.2 Using FMIS (Financial Management Informational System) and other IT systems	<ul style="list-style-type: none"> <li>FMIS is used by the finance department and local budgetary institutions</li> <li>Accounting software is used by the finance department</li> </ul>		3,0		1,5	1,5	6,0

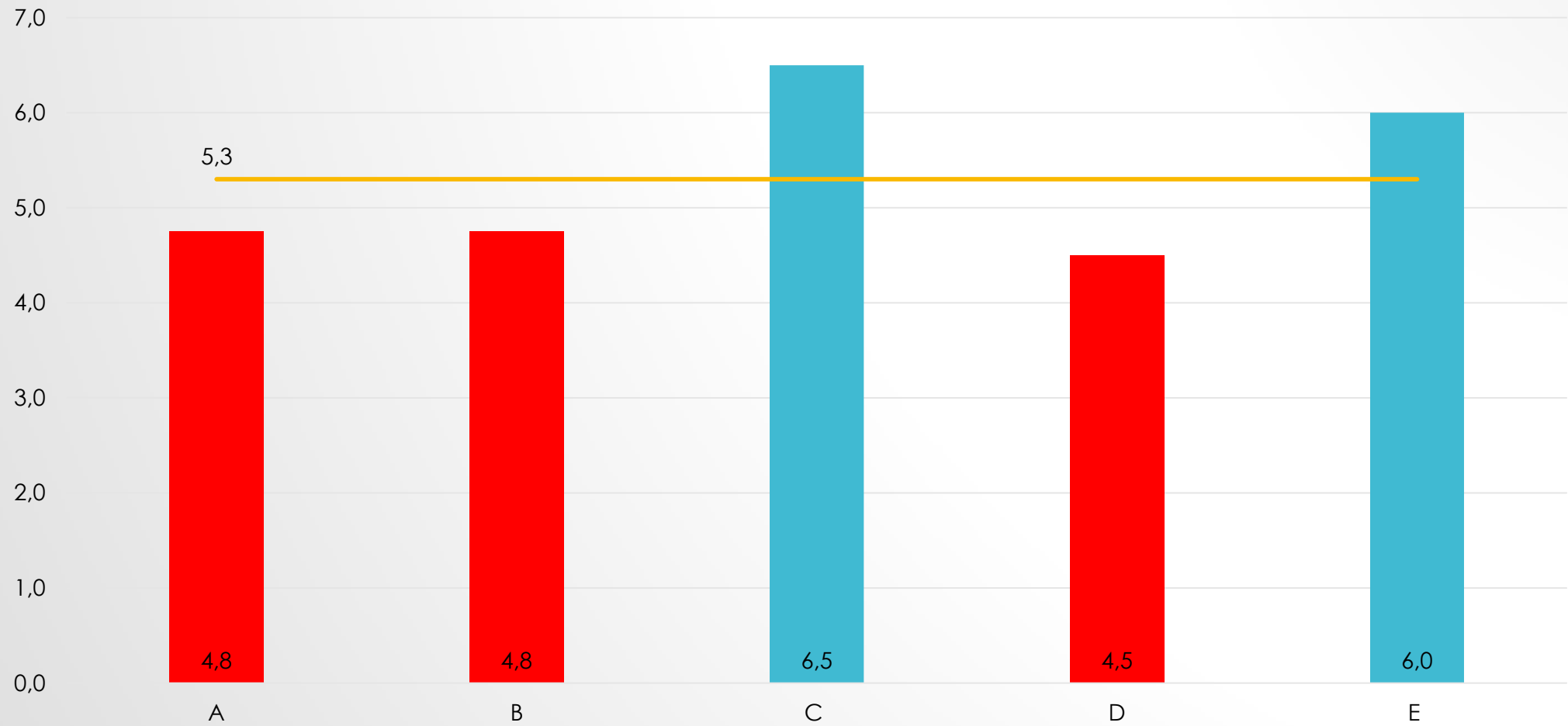
# RESULT OF PILOTING LFB TOOL



# GENERAL PRINCIPLES OF LOCAL FISCAL POLICIES



# LOCAL PROPERTY



# PRACTICAL RECOMMENDATIONS

1. Identify a host organization that would ensure the continuation of LFB.
  - a) Staff;
  - b) Funds;
  - c) Good knowledge and understanding of the local authorities "life".

CALM - Congress of Local Authorities from Moldova.

2. The team that will assess the local authority in the field should consist of a minimum 2 persons.
3. One member of a team should be part of the another one.
4. Adjust the LFB Toolkit after piloting if need it.
5. Publicity of the score?

THANK YOU