STRENGTHENING INSTITUTIONAL FRAMEWORKS FOR LOCAL GOVERNANCE

Piloting the
Local Finance Benchmarks
in Moldova (December, 2015 -June, 2016)

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How did we start?

CoE Recommendations on financial resources (2005) and financial management (2004)

CoE developing two complementary instruments:
1. Local Finance Benchmarking toolkit (LFB)
2. Local Finance Database and Indicators (LFD&I)

What LFB is for:

✓ It is a mirror: what is done well, what to change, ranking tool

✓ Learning from each other

✓ Lessons for policy makers

Evidence based analytical and diagnostic tool

Implementing in partnership with CALM

1. Toolkit adaptation:
I. financial resources

1. General principles (55%): dropped from local tax policy design; local staff capacity development

2. Local taxation (35%): measuring local taxing activity

3. Fees, charges: not relevant

4. Capital budget financing (40%): borrowing is limited

5. Local property (50%): less on property management (organizational form, control of strategic assets)

Toolkit adaptation: II. *financial management*

1.Budgeting, fiscal planning (38%): less detailed on budgeting techniques, procedures

2. Budget implementation and 3. Control, supervision (merged): focus on muni enterprises, PPP

$\sum$ **Adapted LFB:** Areas accepted: 31%; indicators: 71

Scoring: measurable, complex (Basque audit approach):

a) Appropriateness (0-6 points); formalized (0-2); evidences provided (0-2)
b) Missing item scored zero
c) Not weighted (total of 10)
d) Compared to average and not the maximum scores (to the best ones)

Fieldwork

Diverse pilot municipalities:

➢ Towns: Ungheni, Ialoveni, Cimislia, Straseni, Edinet

➢ Villages (< 7.6): Peresecina, Colibasi, Besghioz, Festelita, Cristesti

Well prepared through CALM:

✓ Tasks, responsibilities agreed (ToRs)

✓ Mayors notified

✓ Information requests specified

Visits in pairs to larger towns (March-April)

Piloting results by areas of LFB

Highest scores (done well):

1. Capital budget financing (6.7)
2. Budgeting methods and capacity (6.6)
3. Budgeting procedures (6.5)

Lowest scores (room for improvement):

1. Local property management (5.4)
2. Local fiscal policy principles (5.4)
3. Local staff capacity development (4.0)
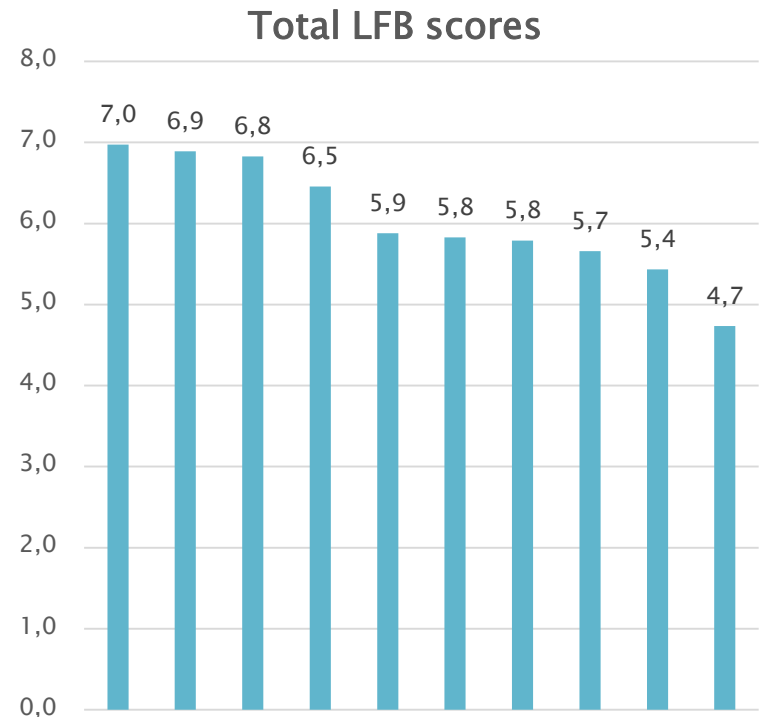
Piloting results by municipalities

Visible differences: max: 7.0; min 4.7

Towns better than villages in

▸ fiscal strategy design

▸ budgeting procedures

▸ transparency, public involv.

Villages scored higher:

▸ cooperation with other muni

▸ regulations on municipal co.

Total LFB scores

8,0

7,0 — 7,0   6,9   6,8   6,5

6,0 — 5,9   5,8   5,8   5,7   5,4

5,0 — 4,7

4,0

3,0

2,0

1,0

0,0

Reporting back

1. To municipalities

➢ Brief reports by LFB sections

➢ Detailed scores with comparison: below/above average

➢ Same municipality type

➢ Conclusions, recommendations

2. To national partners: policy recommendations

3. To host organization: lessons on implementation, how to continue

2. Fiscal database: under development

- Data content:
  - Information by municipalities (for all of them)
  - Fiscal and statistical data (app. 50)
- Potential indicators:
  - *Revenues* (own revenue raising, grant dependency, creditworthiness)
  - *Expenditures* (municipal profiles, differences, concentration, indebtedness)
  - *Statistical data*: urbanization, size
- Presenting the data: 1. comparison; 2. rankings; 3. profiles; 4. map
- Changes in accounting, fiscal reporting (2015/2016)
- Visibility, sustainability, analytical capacity (service)

LFB project: what is next?

1. Feedback from the pilot municipalities
2. Revising and finalizing the LFB toolkit
3. Presenting the results (web application)
4. Hosting and promoting the LFB toolkit
5. Developing benchmarking capacity: manual, procedures, pool of local experts, funding options
6. Inviting municipalities to the benchmarking „club"
7. Using and updating the finance database/indicators