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POLICY ADVICE

LOCAL FINANCE BENCHMARKING ON FINANCIAL RESOURCES AND FINANCIAL MANAGEMENT - NATIONAL LEVEL

Intergovernmental fiscal relations and local financial management in Greece

EUROPEAN UNION – COUNCIL OF EUROPE TECHNICAL ASSISTANCE PROJECT ON INSTITUTIONAL ENHANCEMENT FOR LOCAL GOVERNANCE, GREECE

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For Local Government Reform

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LIST OF ABBREVIATIONS

CIT	Corporate Income Tax
CLDF	Consignment Loan and Deposit Fund
CoE	Council of Europe
DEH	Electricity Company
ELLADA	Operational Program for Local Development
ENFIA	National tax on immovable property
GAO	General Accounting Office
KAP	Central Autonomous Fund
LFB	Local Finance Benchmarks
MoF	Ministry of Finance
MoI	Ministry of Interior
OBL	Organic Budget Law
OECD	Organization of Economic Cooperation and Development
OGP	Open Government Partnership
PIT	Personal Income Tax
SATA	Public Investment Programme of Local Government
VAT	Value Added Tax

EXECUTIVE SUMMARY

The Local Finance Benchmarking programme (LFB) aims (i) to support the institutional framework of decentralisation and (ii) to develop the local governments' capacity to implement new legislations. Foundations of LFB are set by the Article 9 of the European Charter of Local Self-Government and the CoE Council of Ministers' recommendations on financial resources and financial management.

The Local Finance Benchmarks were developed by the Centre of Expertise for Local Government Reform (CoE) and they are used for diagnostic purposes. In practice, the LFB toolkit works as a checklist: the high scored LFB items indicate the successful areas of local finances and the low scores help to identify the areas of improvement. In Greece we used four types of information sources during benchmarking: legal review and interviews with government practitioners, fiscal database and a mailing survey addressed to local government mayors.

Results show that several components of *financial resources* work well in Greece. The local finances areas covered by the CoE recommendations are well regulated in Greece. The laws are in place and especially the expenditure equalization mechanism (the grant allocation criteria) is properly regulated. The own source revenues are diversified. Intergovernmental transfers are dominated by the general grant. Local government borrowing is properly regulated. National rules of local property management are in place.

In *financial management* the municipal budgeting works properly in the centralised local government system of Greece. The necessary fiscal restrictions on the local budget are properly regulated. Financial risk assessment and recovery mechanisms have been developed after the crisis. The multi-channel control and supervision system is regulated by law. Local government elected officials and administrative managers have personal responsibilities for the budgetary documents.

The lower LFB scores indicated the areas of improvement, so our *recommendations* mostly target these areas of financial resources and financial management. Public financial management and local government financing have been improved substantially in Greece during the past years. It is generally acknowledged that local governments were able to actively manage the problems created by the crisis. Our starting point with these recommendations was that the reform steps should *not increase the overall tax burden*. The briefly formulated proposals aim to support the future launch of the policy reform process. They are in line with the recommendations of the Congress of Local and Regional Authorities on local revenue autonomy and financial management.

Our recommendations aim to increase *local accountability* and to create *financial incentives* in Greece. They are the most important conditions of further decentralisation and enhancement of local financial autonomy:

1. In the field of financial resources the *real own source revenues* should be enhanced for increasing accountability. In particular the numerous small fees and nuance taxes should be reviewed. New local revenue options should be designed and the role of property related taxes should be increased. In the field of reciprocal fees, charges incentives should be introduced for reducing service cost and utilising excess revenues effectively. Support to revenue administration is needed for managing arrears in local service provision and in collection of taxes and fees.

2. *Tax sharing by origin* will significantly improve local accountability. The best candidates for revenue sharing are the personal income tax and the ENFIA.

3. The *KAP allocation criteria* should be refined for better reflecting specific local spending needs and the differences in service unit costs. *Revenue equalization* mechanisms have to be developed: either by incorporating the revenue raising potential into the present KAP formula or by establishing a supplementary revenue equalization transfer system.

4. Matching grants will ensure higher participation of local government in the *public investment programs*. Setting up a local public investment program, as the replacement of the ELLADA program, is of critical importance.

5. Support to *local property management* is needed for better utilisation of the asset related revenue potential by establishing electronic registry of local property and providing technical assistance in developing IT based property management tools, guidelines for local property management.

6. *Financial management* can be improved by greater local accountability through transparency in fiscal planning. Minimising the external legal control and in parallel developing the municipal internal audit will gradually create a more effective control system.

7. *Training and capacity development* is needed for implementing these far reaching changes in local financial management. The institutional framework and the financial basis of local capacity development should be established.

1 LOCAL FINANCE BENCHMARKING: THE METHOD

The Local Finance Benchmarking programme (LFB) aims (ii) to support the improvement of the institutional framework of decentralisation and (ii) to develop the capacity of local governments to implement new legislations in this field. Its foundations are set by the Article 9 of the European Charter of Local Self-Government, which constitutes the Council of Europe's legal acquis in the field of local finance.

Recommendations and guidelines

These provisions of the Charter are further refined by the Council of Ministers in two sets of recommendations on local government finances:
(i) *Financial Resources of Local and Regional Authorities* Rec(2005)1 and
(ii) *Financial and Budgetary Management at Local and Regional Levels* Rec(2004)1.

The recommendations and the accompanied detailed guidelines focus on the central and local authorities, separating the recommendations by tiers of government. In Greece the recommendations and guidelines for central authorities were used, as they target the system of intergovernmental fiscal relations and the general rules of local financial management.

Areas of benchmarking

For evaluating the compliance of the CoE recommendations in a specific country, two local finance benchmarking toolkits have been developed by the Centre of Expertise for Local Government Reform of the Council of Europe. The Local Finance Benchmarks (LFB) are primarily used for diagnostic purposes. However, through evidence based analysis and quantifiable results, they also help to specify the areas of intervention, support policy design and development actions at national level.

The recommendations, the guidelines and the derived standard benchmarks on *financial resources* target the following objectives:

1. *in general principles of financial resources:* a) allocation of financial resources should take into account the sub-national (local) responsibilities and the economic circumstances;

2. *own revenue raising* of local authorities (taxes, fees, charges);

3. own resources and substantial part of the transfers, shared revenues *must not be earmarked for special purpose*;

4. *intergovernmental transfers* a) state grants should be foreseeable and allocated by universal, stable, non-arbitrary and transparent rules; financial equalization system should take into account differences in local financial capacities and in spending needs;

5. *national economic policy measures* and limitations on local financing systems should be proportionate with the demand of the economy; they should be negotiated and properly legislated; revenue system should be regularly reviewed to improve service efficiency and to ensure fairness, solidarity and local governments should be involved in fiscal reforms.

Recommendations on *financial management* focus on the consistency of local financial management with macro-economic targets, financial stability of sub-national governments, aiming cost-effective service provision and ensuring accountability in local decision making. The guidelines and consequently the benchmarks for central authorities are structured along six broad topics:

1. methods of *financial estimations*, that is budgeting practices and procedures;
2. how limitations on financial autonomy and the necessary *restrictions* should be introduced;
3. what are the potential areas of *risks in local finances* land how they should be managed;
4. rules and practices of *recovering local governments* in financial difficulties;

5. main areas and forms of *control* over local finances;
6. what is the role and *responsibility of elected officials* and local government *staff* in financial management.

The guidelines originating from these recommendations are rather detailed: they specify 76 principles on financial resources and 43 methods in financial management.

It is important to emphasize that the CoE Recommendations and consequently the LFB toolkit items have *some limitations*. They focus only on two areas of fiscal decentralisation: financial resources and financial management. Important questions of public service management or the territorial-administrative structures are not parts of this benchmarking. This instrument concentrates more on the methods of fiscal decentralisation, *how* it is implemented. So it does not evaluate the scope of decentralisation (*what* local governments do), or whether the revenues are sufficient for delivering the assigned functions. However, findings on local financial resources and financial management will help to answer these related questions.

Benchmarking toolkit: adaptation and scoring

Country level benchmarking of local government finance systems ultimately supports fiscal policymaking and decentralisation. The guidelines are transformed to a set of *measurable statements* by areas of financial resources and financial management. Several *indicators* are attached to these benchmarking items, so that each statement can be scored on a ten-unit-scale

Benchmarking is primarily an analytical tool. In practice the LFB toolkit works as a checklist, where the high scores indicate the successful areas of local finances and low scores help to identify the areas of improvement. Further investigation is needed to identify the real causes of lower performance. So the benchmarking survey findings help to develop these policy proposals and regulatory changes.

Approach of the Local Finance Benchmarking toolkit is to assess the *real practices* of local finances and not only to evaluate the laws and regulations. So for example in the case of defining the own source revenues the actual local powers in setting the tax base, allowances, rate and administration are assessed for scoring.

The standard local finance benchmarking toolkits were developed for general use in any CoE member country. So the LFB toolkit should be adapted to the specific domestic conditions in a country willing to use this instrument. In Greece, following the *adaptation*, 60 toolkit items were used in the field of financial resources and 28 for evaluating the financial management practices.

Implementation of the Local Finance Benchmarks in Greece was based on four types of information sources. Primarily the *legal review* and the *interviews* with government practitioners and local experts provided useful information for the evaluation (Appendix 1.). It was supplemented by the information collected through a short *mailing survey* addressed to mayors (Appendix 2.) and a *fiscal database* which was developed for the purposes of this project. The fiscal database built for the LFB project can be used for other purposes, as well. See an example with the analysis of local government fiscal autonomy in Greece (Appendix 4. Local Fiscal Autonomy - *Classification of local governments by own source revenues)*

The adapted standard benchmarks are specific assessment criteria, which help to evaluate the financial resources and financial management practices in Greece. The scores given to each section and area are based on the evidences, which we were able to collect within the framework of this project. The actual evaluation reflects this limited information and our best expert opinion on local finances in Greece. Detailed scoring are in Appendix 3., while here in the report we grouped the scores as follows: high quality (score 10-7), medium (6-4) and low quality (3-0) practices.

2 BENCHMARKING RESULTS

2.1 Financial resources

General principles of financial resources

The overall *goals of intergovernmental fiscal relations* are partially met by the present system of local finances in Greece (LFB area I. 1.; score: medium quality). The grant allocated by the KAP ensures horizontal fiscal equity, as the formula takes into account service costs and the same functions are supported in a similar way. However, vertical fiscal balance, the connection between functions and local revenues, is only partially ensured. Increase in local costs or the tax burden on local services is not compensated by the KAP formula. The most problematic feature of the intergovernmental fiscal relations is the lack of local incentives to improve efficiency, neither through revenue raising nor cost savings.

Local *own source revenue raising autonomy* is limited (I.2.; score: medium). Local governments have moderate level of real own source revenues. Dues, fees, user charges (reciprocal fees), dominating the own source revenues are strictly regulated and often earmarked revenues. The local autonomy in disposing revenues is limited, as the reciprocal fees are connected to the specific services and the employment programs are partly funded by earmarked local taxes. Derivation (origin) based *tax sharing,* when local government might have some indirect influence on the tax base is limited (I.3.; score: low).

The *equalization mechanism* is limited. According to the legislation some differentiating factors (e.g. geography) and the minimum expenditures (e.g. minimum administrative staff) are taken into account in grant allocation. But the most important problem is that the own source revenue raising capacity is not built into the grant formula (I.4.; score: medium)

However, in this rather centralised system of intergovernmental finances, the *financing of delegated services* works well (I.5.; score: high). The service standards are set nationally and the costs of these services are calculated properly. But the local autonomy of these delegated services is rather limited.

These introductory summary statements are further discussed in details later by the LFB sections and areas using other criteria and indicators.

Own source revenues

Real own source revenues with local government decision making authority on setting the base or the size (rate) of the taxes, fees are limited. The revenue collection is also mostly outside the local governments' control. So the local taxes are *not sufficient for ensuring accountability* (II.1.; score: medium). The numerous local own source revenues are regulated by law, but only the fees provide appropriate basis for financing local functions. Due to these limitations, the local scope of manoeuvre in revenue raising is minimal, so it does not support accountability at local level.

The high number of various – albeit small – local taxes and fees create a *diverse* local revenue base with specific own source revenues, which are *fair, proportional to benefits and visible* (II.2.; score: high). Local taxes are levied on all economic factors: property, income (of individuals, businesses) and transactions (service user charges). As they are centrally regulated, these revenues are relatively stable ones. User charges (reciprocal fees) dominate the own source revenues, which make them more visible and connected to benefits received. However, these own source revenues are typically flat charges with limited local rate setting autonomy. So they are rather regressive revenues and they are not adjusted to the taxpayers' ability to pay, although there are exceptional reductions for the poor.

Local *tax administration* is not sufficiently developed (II.3.; score: medium). Central support to local revenue administration in the form of shared information basis, harmonized IT systems is mostly weak, the transfer of centrally collected local taxes is often delayed and disputed. It is positive, that the tax administration litigation rules and procedures are unified.

The national policies towards local own source revenues allow *neutrality and create limited distortions* (III.1,; score high). Due to the limited scope of local taxes, they do not really influence the economy. The impact on internal migration is limited and local taxes do not cause significant social problems. The national policies on local taxes are *designed in an open way* and with consultation of other stakeholders (III.2. score 6.). Sufficient information is available on local tax regulations, although the local public influence on the centralised legislative process is rather limited.

The other group of own source revenues, the reciprocal fees, charges and dues have mixed character (IV.; score: medium) These revenues cover not only service user charges of various types, but among the "fees", there are tax type general revenues, which are not directly related to the services consumed. They make considerable contribution to local own source revenues, and allow equal access to the municipal services. Similarly to the local taxes, the local autonomy in setting fees and charges is limited. Consequently, national regulations do not support targeted municipal interventions through diverse charging methods, forms of subsidies and exemptions or allowances.

Shared revenues are special local revenues, which are allocated to local governments where they were raised (shared by origin), the sharing ratio is set by law and these rules are fixed (local governments are not compensated for losses or the excess revenues are not taken away by the national budget, OECD, 2013 definition).

This revenue sharing practice does not exist in Greece. The KAP is a formula based revenue sharing mechanism. Although some own source revenues are actually shared ones, which are fully transferred to local budgets (100% sharing ratio). These own source revenues, which can be regarded as shared ones, are not earmarked and transferred to local budgets with some delays (V.; score: low).

General and specific grants

In the highly centralised intergovernmental financial system of Greece, the central budget grants play an important role. There are two main types of transfers: firstly, the general purpose grant from the KAP (Central Autonomous Fund), which is the support to basic municipal services and for equalization; secondly, the specific grants, which aim to finance delegated services, emergency situations, solution of special social problems or consolidation of municipalities with financial difficulties. This latter group is rather mixed, so its joint evaluation is not straightforward.

The two types of intergovernmental transfers are regulated by *political decisions targeting economic stability and sustainable regional development* (VI.1.; score: high). The KAP formula does not properly reflect the policy preferences, as the allocation method is dominated by the number of resident population. It is a simple and manageable proxy of local need for public services, but it does not help to translate the fiscal policy goals to specific grant allocation schemes.

However, both the general purpose and the specific grants are *properly regulated* (VI.2.; score: high). Laws define the sources of KAP both for recurrent and for capital investments purposes. There are clear allocation criteria for the grants to the current budget. The central budget transfers are dominated by general purpose grants, without serious constrains on their local usage. The transfers to Public Investment Budget are calculated as one third of KAP. The Ministry of Development and Competitiveness controls the allocation of capital investments and the regional governments approve the projects that are included in the Regional Operational Programs.

In the case of KAP equalization is supported by the *stable, foreseeable and standardised* allocation scheme (VI. 3.; score: high). The total pool of KAP is generated by set percentages of relatively stable public revenues (VAT, income taxes, ENFIA). These tax revenues assigned to KAP do not allow arbitrary decisions on the total pool of funds. The tax related to KAP resources reflect the national fiscal policy goals and the sharing ratios are rarely changed.

The factors taken into account during the KAP allocation are limited (population, area, location and minimum cost of operation), so they are not sufficiently refined allocation criteria (e.g. age groups, proxies on local economic development are not used). The most important problem of KAP allocation scheme is that the municipal *revenue raising capacity is not incorporated* directly in the formula. So the potential local government revenues are not taken into account by the equalization policy.

The *fiscal equalization of KAP* primarily addresses differences in spending needs (VI. 4.; score: medium). The expenditure side equalization dominates and the revenue raising efforts are not built into the model. KAP compensates partially for the differences in local spending preferences (through the minimum costs of services, the weights of allocation criteria, the coefficients). The KAP model was introduced in 1989 and continued by the Kallikratis reform, but it was not systematically reviewed since then. Although several problems have already been raised in the practice: poor adjustment of coefficients on the island and the mountainous municipalities, lack of service performance indicators and incorrect population numbers.

The KAP based equalisation model provides *transparent and understandable information to local governments* (VI.5.; score: high). Both the current and capital budget transfers from the central budget are regulated by laws, so this information is publicly available. The components of the allocation formula are set and rules based. They do not change frequently. The local government association is involved in the grant scheme design, although it does not have access to detailed fiscal data, so cannot run its own modelling and simulations.

The *specific grants* serve various purposes and not all of them are properly designed (VI.6.; score: low). The specific grants finance local capital investments and support delegated public services. The capital investments are financed by the centrally allocated EU funds and national budget grants connected to the KAP formula. In the latter case the co-financing element of the grant schemes is missing.

The other specific grants do not finance the minimum level of municipal service performance. In most of the cases, the allocation rules are not based on objective criteria and they are not transparent. Lacking the matching requirement, the local financial capacity is not built into the conditional grant allocation method.

Consequently, other important conditions of a proper specific grant allocation system are not met fully. The *allocation scheme primarily follows the equalization of spending needs* (VI.7.; score: low). However, the ministerial assessment of spending needs is not known for the recipient local governments, so they cannot evaluate how comprehensive, stable, detailed, reliable and simple or complicated this method is. Financing of specific services and expenditures does not create local incentives for savings through searching for alternative service methods, inter-municipal cooperation or other forms of rationalization. Similarly to the KAP funding of current budget, the *allocation of specific grants hardly targets equalization of financial capacity*. These grants allow very limited local discretion, as they primarily serve delegated functions.

Local government borrowing

Local governments raise debt mostly for financing capital investments. Local debt is exclusively bank loan and despite compulsory tendering of financial services, majority (app. 70%) of loans is provided by the public Consignment Deposit and Loan Fund. Local borrowing is well regulated: contracts are approved by the Ministry of Interior, the municipal debt limits are set by law. Collateral is not needed for the CDLF loans, as the Fund manages KAP payments and some of the local fees. Debt consolidation programs were implemented at the early stages of the crisis to clear all the local government debt rose.

Local government *borrowing* regulations and practices are of high quality (VII.; score: high). The loans are used primarily for financing capital investments. In the current budget short term borrowing is allowed for managing the cash flow fluctuation. Loans often serve as local co-financing sources for the capital investment projects funded by the national budget or the EU funds. Local government borrowing is used for financing the revenue generating projects. Central governments do not issue guarantees for local borrowing. However, through the clearly regulated borrowing and debt limits or the ministerial approval the fiscal stability can be ensured.

Property management

Local government property management was not part of the original Recommendations. But the importance of the local assets and the aftermath of the financial crisis showed its significance for financial resources and financial management. Some items were therefore added to the local finance benchmarks, which compare very simple, basic characteristics of asset management, both at central and local levels.

Local property management is relatively well developed in Greece (VIII.; score: high). Laws and regulations on local assets exist, although the comprehensive central information system on local government property is still under development. Municipal assets are properly registered at the local governments. Inventories and audited information sources exists and they are publicly available. Municipal reports include the balance sheets, which report also on the contingent liabilities. Decision making powers on local property management are regulated.

The local human and institutional capacities in this field are limited, as the asset valuation methods are not widely known. The local financial incentives for raising property related regular (current) and one-time (exceptional) revenues are missing.

2.2 FINANCIAL MANAGEMENT

Budget preparation and approval

Local government fiscal planning rules and practices are well regulated, so the *budget preparation and approval framework* is scored high (I.; score: high). The budget works as a controlling instrument, so the *main budget procedures, approval and implementation rules are established by law (*I.1.; score: high). The Organic Budget Law (OBL) and the related laws, joint ministerial decrees define the procedures, responsibilities, actors and their powers in local budget preparation.

The stages of local government fiscal planning are regulated. The steps and deadlines of the state budget preparation are properly defined. According to the OBL, the budgeting starts every year with the budget circular issued by the General Accounting Office (MoF/GAO) by the end of May. It is followed by detailed ministerial circulars. The MoF and the Ministry of Interior (MoI) issues the budget drafting instructions to local governments in July. The MoI prepares the consolidated local government budgets by September. The revised and compiled government budget is presented to the Parliament at least 40 days before the start of the new fiscal year.

The budget planning methods are also developed. Medium Term Fiscal Strategy is the basis of annul budgeting. Program budgeting was experimented but it is not obligatory even at the state budget level. The Local Government Observatory (LGO) under the MoI plays a key role in local government budgeting. Detailed information on local expenditures and revenues is available at the LGO. It is therefore in the position to assess local revenue estimations, the risks of budget deficit and to compare expenditures. In the case of delegated services the sectorial ministries follow the standard budgeting methods and agree with the MoF on the budget appropriations. Due to the local governments' high dependency on the national budget grants, the *budget resources are designed within the national economic policy framework* (I.2.; score: high).

Within this framework the local governments are *autonomous in local budget adoption and setting the operational rules* (I.3.; score: high). The state budget presents only the consolidated budget of the local authorities in a table format. According to the OBL, it summarises the three main types of revenues (own source revenues, state budget transfers, KAP funding); expenditures by economic categories; budget surplus or deficit and its funding sources; balance sheet and debt obligations.

The *standards for planning spending needs of the core local services* are available at the sectorial ministries (I.4.; score: medium). Four months provisional state budget might be approved by the Cabinet and local governments can operate for three months without approved budget. So *mechanisms are in place if local budgets are not adopted in time* (I.5.; score: high)

Budget restrictions

Fiscal restrictions during the crisis significantly affected local government budget. In the period of 2008-2016 local expenditures were cut by 30% and presently represent 3.5% of GDP[1]. This low level decentralisation means that municipalities spend approximately EUR 6.1 Billion in a year (2016). In the past exceptional period the standard restriction methods could not always work.

However, the *restrictive measures aimed to ensure macroeconomic balance were rule based* (II.1.; score: high). The goals were transparent and the rules were clearly set. They were implemented primarily through the grant system and by re-allocating local own source revenues, limiting local employment and spending.

These measures were *applied within the financial management framework* (II.2.; score: high). The extraordinary macroeconomic measures were due to exceptional central budget circumstances, they were announced within overall fiscal policy framework and central intervention powers were indirect and limited.

The restrictive measures were partially based on *objective, transparent and verifiable macroeconomic and fiscal criteria set by law.* (II.3.; score: medium) The limitations on local government budget spending - and the related revenues - were based on general criteria, usually making equal budget cuts across all the municipalities. These decisions were made public and their impact was assessed. However, there were exceptional situations, when for example the municipal cash reserves were frozen and transferred to CDLF.

The *mechanisms for regular dialogue and consultation over budgetary limitations are in place, they are followed*, but only in selected areas of local finances (II.4.; score: medium). The active and influential local government associations are partially involved in the fiscal decisions during budget negotiations, amendment and when financial management rules are modified (e.g. KAP allocation formula design).

Financial risks and financial recovery

Establishing the Local Government Observatory within the Ministry of Interior was the key measure to assess and to manage fiscal risks at local level. LGO is the main *monitoring institution and it operates the warning mechanism for assessing local financial risk* (III.1.; score: high). Since its establishment in 2013 the internal ministerial reporting mechanism is in place. Local budget implementation is regularly evaluated by using the detailed disaggregated database on local expenditures and revenues. The fiscal information collection is based on the reporting rules, although the gathered data are used only internally and they are *not shared with other stakeholders, such as the local government associations* (III.2.; score: high).

The local government borrowing and the financial decisions beyond the regular payments (e.g. salaries, spending below EUR 3,000) are subject to ex-ante approval. So *financing*

[1] Eurostat data: http://ec.europa.eu/eurostat/data/database

techniques hiding local government debt are prohibited (III.3.; score: medium). The local government expenditures are authorised in a complex controlling system of the Decentralised Administration, the Court of Audit, the General Accounting Office, the Local Government Observatory and also by the deconcentrated organs of the line ministries. Most of these government institutions have extended regional-territorial units, which exercise the actual control and audit.

The most typical risk of excessive borrowing, issuing local guarantees or using local asset sale for financing operational expenditures are properly regulated. (*III.4. Assets of mandatory municipal services cannot be used as collateral for borrowing or as debt guarantee*. score: high). As previously said, the local government borrowing regulations are highly developed and local governments do not issue guarantees for their subsidiaries. Most of the loans are provided by the CDLF, where the KAP revenues serve as collaterals for the local government debt. These local government collaterals are listed in the municipal financial reports.

There are several tools and mechanisms for recovering local governments with financial difficulties. In the heavily controlled local financial management system *current expenditures are primarily financed by current revenues and the reserves* (IV.1.; score: high). Current and capital budgets are separated and the re-current and one-time capital revenues are clearly defined. Local governments have limited autonomy is using the budget reserves.

The *procedures for local management of short-term financial crisis are in place* (IV.2.; score: high) The diverse controlling and audit institutions are able to prevent municipal insolvency. Case-by-case *intervention rules for managing local financial difficulties* are exercised by the financial administration of the MoI and the MoF (IV.3.; score: low). Although the *national funds are allocated for managing emergency situations* (IV.4.; score: high). One percent of the KAP is reserved for managing short term arrears and deficit.

Financial recovery of the local governments, which are presently under consolidation was *preceded by a dialogue and recovery plan* (IV.5.; score: high). The *financial assistance is proportional to local government's wealth and economic potential (*IV.6.; score: high). The severe external control and central audit mechanisms, together with the negotiable *rules of financial recovery still keep the local government officials' responsibility (*IV.7.; score: high). There are general government-wide regulations on individual financial responsibilities and the elected officials.

Local government control

Local finances are controlled by a combination of diverse ex-ante and ex-post supervision and audit mechanisms. Control mechanism is *regulated by law* (V.1.; score: high) and well embedded in the municipal financial management practices. The first steps were already made for weakening the ex-ante control, by freeing re-current expenditures on regular payments, such as salaries or utility charges. The ex-ante control is planned to be terminated for all payments by the end of 2018. Presently these external *financial control mechanisms do not limit formally local autonomy* (V.2.; score: high); however they slow down local decision making and transfer the financial management responsibility outside the local government administration.

One of the main problems of this prior approval by supervisory authorities is *the long period needed for authorization* of procurement contracts, capital investments, employment, payment orders, etc. (V.3.; score: medium). The *legal supervision system allows independent appealing options*, but is never exercised in the practice (V.4.; score: high). Disputes are typically solved through the administrative channels.

Responsible elected officials and staff

Local governments have the *formal ultimate responsibility for the quality and accuracy of the financial information provided and for their budgetary reports* (VI.1.; score: high). There are clear rules and procedures on budget reporting. The *rules on personal accountability for* *discretionary local fiscal decisions* exist (VI.2.; score: high). However, despite the complex system of control, the individual responsibility can be easily disguised. The central government fine on violating the local accounting standards is a theoretical option, which is not used in the practice.

The *professional training for appointed and elected local officials* is partially in place (VI.3.; score: medium). The *resources for these trainings* are not guaranteed in the local budgets, but they are available through national or international (EU) funds. (VI.4.; score: medium). Training programs on local financial management are typically provided by the national public administration or they are contracted to the local government associations. The market of private training providers exists, mostly in specific fields, such as auditing and accounting.

3 SUMMARY FINDINGS

Following the detailed review of all local financial resource and financial management areas, this section summarises the main lessons of the benchmarking exercise. As it was emphasised, Local Finance Benchmarking is a *diagnostic tool*, which aims to identify those areas of local finances which work well and also to specify the areas, where changes are needed. Here below they are discussed separately in the field of intergovernmental fiscal relations (financial resources) and the selected areas of local financial management.

3.1 WHAT WORKS WELL?

Financial resources

Generally it can be stated that those areas of local finances - covered by the CoE recommendations - are well regulated in Greece. The Kallikratis reform and the following financial regulations created a sound basis of intergovernmental fiscal relations. So the *laws are in place* and especially the equalization mechanism, the grant allocation criteria are properly regulated.

The *own source revenues* are diversified. The fees, charges and taxes are levied on both businesses and individuals as voters and residents. They target various stages of the economic process, such as property (capital), business activities, consumption and income. The various local own source revenues are regulated by law and they are stable, foreseeable municipal receipts. The reciprocal fees and other property related charges are proportionally connected to the benefits received by the fee- and taxpayers. The fees and charges give considerable parts of own source revenues. These flat fees or area based property levies are neutral economic burdens, so they do not have distorting impact on the economy, the domestic migration and poverty.

Intergovernmental transfers are dominated by the general grant. The Central Autonomous Fund (KAP) is well regulated: the grant is pooled from three types of major taxes with set percentages of these central tax revenues. The sharing rules rarely change, so the KAP is a relatively stable local revenue source. The grant allocation criteria are diverse and they are indirectly related to local spending needs. These proxies (e.g. population number) and coefficients follow the standard (that is typical, average) local needs and do not aim to compensate the specific spending preferences of a particular local government. The grant scheme is regularly assessed and the information on KAP allocation is publicly available. The specific grants allocated for the delegated local functions provide full funding for those services, which operate under central control.

Local government borrowing is properly regulated: there are clearly set debt limits and municipal borrowing is subject to ministerial approval. Loans are mostly used for capital investment projects and no central budget guarantees are issued for local government borrowing.

National rules of local *property management* are in place. Local assets are registered and municipal inventories are mostly developed.

Financial management

In the relatively centralised local government system, the municipal *budgeting* works properly in Greece. The nationally controlled local revenues are planned within the overall economic policy framework. The steps of fiscal planning and budgeting procedures are well regulated and they are followed in the practice. The ex-lex situation, when the annual budget is not approved on time, is properly regulated. The local governments are autonomous in adopting their own budget.

The necessary fiscal *restrictions* of the local budget are properly regulated and the rule based decision aim to maintain the macroeconomic balance. They are implemented within the financial management framework and extraordinary measures (e.g. mandatory transfer of cash reserves) are exceptional.

Financial risk assessment and recovery mechanisms have been developed after the crisis. The fiscal monitoring and a warning apparatus are in place and work effectively under the Ministry of Interior. The consolidation and financial recovery plans are developed together with the affected local governments. The funds for managing the emergency situations are available in the national budget. The actual financial assistance to municipalities under fiscal consolidation program is proportional to their wealth and economic potential.

The multi-channel *control and supervision* system is regulated by law. The independent appealing procedures are available for the local governments, although these rights are not exercised in the practice. Local government elected officials and administrative managers have personal *responsibilities* for the quality of data and the information reported in budgetary documents.

3.2 AREAS FOR IMPROVEMENT

Financial resources

Among the *own source revenues* the taxes and charges with limited local authority to specify the revenue base, the actual rate and the allowances or exemptions have lower share. Consequently, the municipal taxation does not sufficiently support local accountability, which would be one of its main goals.

As the local governments have very limited autonomy in regulating the own source revenues, these revenues cannot be differentiated by the taxpayers' ability to pay. Being regressive charges, the simple flat fees increase inequalities. In the present own revenue raising system usually the services in general and not the eligible users are subsidized. Another problem at local level, that in the case of centrally administered local revenues the collected taxes, fees are transferred to the local budget with a delay. Publicity of local tax design is weak.

Tax sharing, when a nationally collected revenue (e.g. PIT, CIT) would be partially returned to its place of origin, does not exist. This revenue sharing mechanism cannot support the joint national-local responsibility for service provision. The local governments are deprived of significant tax revenues and they have no incentives to develop the local economic base.

The general grant component (KAP) of the *intergovernmental transfers* is actually a fund of shared tax revenues, which is allocated by the formula. The KAP system exclusively targets the expenditure side of the local budget. It does not create sufficient incentives for savings, as the minimum level of administrative services is incorporated in the grant scheme. The financial capacity is not built into the grant allocation formula, so there is no revenue side equalization in the KAP.

The allocation criteria of the specific grants are not known as they are managed by the relevant line ministries. Conditional and matching grant schemes are not used in the practice. In the case of specific grants, the local spending discretion is limited.

Financial management

The areas of financial management, which are targeted by the CoE recommendations, were usually highly scored. The relatively lower scored areas indicated that *more transparency* is needed in the case of budget restrictions and for managing local governments with financial difficulties. The financing rules of professional training for local government elected officials and appointed staff should be regulated.

4 RECOMMENDATIONS

Local government financing and public financial management have been improved substantially in Greece during the past years. These achievements were accomplished despite the economic crisis and the fiscal consolidation reducing the own source revenues and the state transfers to local governments. It is estimated that between 2011 and 2016 KAP has been reduced by about 40%[2] . It is generally acknowledged that local governments were able to actively manage these difficulties providing assistance to citizens and responding effectively to additional pressures due to the refugee crisis.

However, intergovernmental fiscal relations and the local government finances still remain *very centralised* (Table 1.). According to OECD the ratio of local government to general government tax revenues is estimated to 2.8% (ITA 2016; OECD 2013). The share of local expenditures in general government expenditures was 7% (2016), while the EU 28 country average is 23.4% (plus 10.1% of the state level expenditures in the federal countries). Sub-national government expenditures in percentage of GDP are only 3.5% in Greece, which is extremely low ratio compared to 15,6% of the 28 EU countries' average[3]. This classifies Greece as one of the most fiscally centralized countries among the European Union and OECD countries.

Table 1. Fiscal decentralization in Greece, 2016		
	Greece	*EU 28 country average*
Local tax revenues in % of general government tax revenues	2.8	
Local expenditures in % of general government expenditures	7.0	23.4
Sub-national government expenditures in % of GDP	3.5	15.6
Source: Eurostat, ITA 2016		

The local finance benchmarking exercise helped to identify those areas of intergovernmental fiscal relations on the revenue side (financial resources) and of financial management, where changes are needed in Greece. Using this diagnostic tool some areas of potential reforms were also specified in section 3.2 above. This section will outline *specific directions of these possible changes.*

As it was already mentioned, the CoE Recommendations and consequently these benchmarks do not target each and every component of fiscal decentralisation. We focus on the financing mechanisms of local governments and specific financial management issues. It should be noted that there are other critical areas of reforms for strengthening local governments, which are outside the scope of this report. However, our proposals are in line with the recommendations of the Congress of Local and Regional Authorities on local revenue autonomy and financial management. (Congress of Local and Regional Authorities, 2015)

[2] Ministry of Interior, Committee of the L.4368/2016, Working Document.

[3] Eurostat data: http://ec.europa.eu/eurostat/data/database

Further improvement of municipal finances should be harmonised with possible changes in local government functions and service responsibilities. Organisational and management reforms are also needed for successful fiscal decentralisation. Likewise, implementation of reforms requires sufficient funding as well as development of administrative and human resource capacities.

The revenue reform proposed in this report *will not significantly increase the overall tax burden*. So our recommendations do not aim at introducing new taxes on businesses or individuals. Conversely, solutions could be found in the revision of the tax burden between the central and sub-national tiers. By changing these proportions, public service provision would be more effective and financial incentives would increase local service efficiency.

Higher fiscal decentralisation seems to have gained a consensus as a policy priority among the interested parties. Increased *local accountability* and creation of *financial incentives* are the most critical conditions for further decentralisation and enhanced local government financial autonomy. It is worth stressing that the revision of the intergovernmental fiscal relations is a *gradual process. Thus,* some of the recommendations listed below could be implemented immediately while others are medium- or long term programs.

4.1 Own source revenues for greater accountability

Local government accountability is determined by the level of fiscal autonomy. Financial autonomy primarily depends on the local government's authority to raise revenues for financing the devolved public functions. In Greece - according to the present classification of local government revenues - the municipal "own revenues" represented 35% of total revenues in 2015. They comprise 146 different type four-digit level recurrent and one-time, capital revenues.

However, this ratio and the huge number of local own source revenues does not reflect the *real local autonomy* in own source revenue raising. The classification used in Greece does not correspond to the OECD categorisation of own revenues (Blöchliger- Rabesona, 2009). Real tax autonomy means that the local government has the power to *set the tax base (reliefs) and tax rate* for the revenues assigned to the sub-national level. The level of local revenue raising autonomy can be regulated by defining the upper or lower limits of the tax rates, or the scope and form of tax allowances. Any other local revenues, which are centrally regulated and levied, should be categorised as shared revenues, even when they are fully devolved to the local budget (100% sharing ratio).

In order to increase the local government revenue autonomy the following recommendations are proposed:

<u>Review the numerous small fees and nuance taxes</u>: within a broader deregulation program the present local taxes, fees, dues and fines should be evaluated (i) by their significance among local revenues and (ii) their administrative costs compared to the actual amounts collected. The minor taxes, fees with high administrative costs (compared to the actual collection) might be abolished.

<u>Designing new local revenue options:</u> according to the Constitution (Article 78.) taxes must be enacted by the Parliament. This general provision does not exclude the possibility to authorise local governments to levy local taxes and fees within the framework set by law. As part of the proposed review, the present "own revenues" should be re-evaluated whether they are qualified as a good local tax: is it a general or specific payment for local infrastructure and other services, immobile, relatively progressive, the administrative cost are low and the tax, fee fits into the Greek taxation traditions.

<u>Increasing the role of property related taxes among own revenues:</u> there are several property related taxes and fees which might be turned to real local taxes. Area based property taxes should be gradually replaced by value based property taxes. Simplified property valuation methods can be developed, based on physical data as proxies for measuring the differences in property value. Municipal discretion can be increased by defining these multipliers, coefficients (within nationally set limits) and define the zones with properties of similar types.

Local governments would need information and technical support from other national government agencies to develop their own property tax administration.

4.2 Reciprocal fees

Reciprocal fees are supposed to cover majority of local service costs. However, in practice some municipalities are able to collect surplus above the current costs of utility and communal services. These are usually the larger and urban local governments, due to the lower unit costs because of the economies of scale. While other smaller municipalities have a deficit, so they cannot finance neither the recurrent, nor the capital costs of service provision. Local governments should be made *interested in reducing these service cost* or to *use excess revenues* for other locally provided public services. Territorial differences in unit costs of services should be compensated by subsidies or general grants (see recommendations on grants below). Income inequalities are subject to targeted social policy support in this field.

4.3 Revenue administration

The local revenue collection system is rather diverse, because the various revenue sources follow specific procedures. Municipal Cash Departments, the local tax offices and post offices are the ones which actually collect local revenues. The most important mechanism is through the Electricity Company bills (DEH). However, this system becomes gradually more dysfunctional because of the delayed payments, the high collection costs and not covering certain areas where other electricity providers entered this market.

A major obstacle of own source revenue raising is the limited local capacity to collect the arrears of local service fees and taxes. Delayed payments increased during the economic crisis. It is estimated that the accumulated debt of citizens to local government budget is approximately EUR 500 Million[4]. Management of these overdue payments and the improvement of local revenue collection are the two most critical factors to enhance local fiscal autonomy.

<u>Managing arrears in local service provision:</u> The actual scope and size of unpaid fees, taxes by types of local governments should be assessed. This estimation can be implemented through municipal surveys and with data collection from the service companies. The debt management policies should be developed according to the size, distribution and significance of debt (compared to local revenues). The policy options range from complete consolidation of indebted municipalities through partial repayment agreements to introduction of prevention mechanisms. Support to revenue collection departments is critical, but solutions should be developed with the cooperation among all interested parties, including the national government, service companies, the citizens (households) and non-governmental organisations.

<u>Collection of taxes and fees</u>: The revenue collection techniques should be improved as part of the reform of the overall local government revenue administration. Comprehensive assessment of the entire revenue administration process and the local institutional capacities will help to identify the bottlenecks in setting fees and taxes, invoicing, collecting bills, accounting and reporting, enforcing payments. Local governments should have access to the information on registered property collected by the Ministry of Finance. Electronic payments through the national "Taxisnet" platform (http://www.gsis.gr/) for collecting certain local government revenues (temporary residence, in tourism) are important parts of the entire revenue administration process.

[4] http://www.dikaiologitika.gr/eidhseis/oikonomia/151212/rythmisi-se-100-doseis-gia-ta-xrei-stous-dimous (accessed on 16 May 2017).

4.4 Tax sharing by origin

Four major taxes are shared with local governments through the KAP system: VAT, PIT, CIT and the ENFIA. These pooled revenues are allocated along several objective criteria, so the actual revenue received by a local or regional government is not related to the taxes raised in that particular municipality or region. Therefore, there are no direct local incentives to increase these tax revenues through local economic development or by attracting wealthier population with better public services.

Promoting local tax sharing by origin: some of the major national taxes could be shared with local governments where they were raised. This amount would be deducted from the pooled revenues of KAP, with no impact on the national budget. The best candidate for local revenue sharing is the personal income tax (similarly to the Scandinavian model) or the ENFIA, which is directly connected to the quality of local government services. Other potential taxes for origin based shared revenues are the beer tax, tax on alcoholic drinks, revenues of the Green Fund, etc. Both local and regional government might benefit from these shared taxes. The actual sources, size and administration of shared revenues should be first tested through modelling and simulations before they are gradually introduced.

4.5 Improved KAP allocation

Refinement of KAP allocation criteria: according to the Law 3852/2010 (Art. 259 (3) and (4)) local government grants are allocated on the basis of demographic, geo-morphological, administrative, economic, social, environmental and cultural characteristics of the municipalities. In practice it is basically implemented by using the resident population number as a generally known and measurable indicator. However, the grant allocation formula should reflect the specific local spending needs and the differences in unit costs of services. Preferably the formula should be kept simple in order to make the allocation mechanism transparent. The allocated KAP funds should be transferred to local governments regularly, in a timely manner.

Developing revenue equalization mechanism: the higher revenue raising autonomy and the origin based tax sharing will increase the differences among local government budgets. An appropriate equalization mechanism should then be developed. It could either incorporate the revenue raising potential into the present KAP allocation formula or a separate, supplementary revenue equalization grant system might be established. A simple revenue equalization grant would be additional resources for local governments with shared revenues below the average. More sophisticated models could estimate the standard revenue raising capacity and equalize the differences in tax base.

4.6 Capital investment financing

Higher participation of local government in the public investment programs: local co-financing of nationally funded capital investment projects will increase the funds available and will make the capital investments better targeted. Matching grants might work in parallel with the KAP related Public Investment Development Programme of Local Government (SATA).

Establishment of development program for local government: The ELLADA programme, which was legislated by Kallikratis, has not been implemented. Setting up a local public investment program is of critical importance. This program should be an integral part of national development plan. It could be focused on areas specified by the 2020 Strategy for Greece. These specific programs can be financed by specific designated funds (e.g. for environmental projects, energy savings) or with the active contribution of the Consignment Deposits and Loan Fund, as a future national development bank of local governments

4.7 Local property management

Support to local property management: Local government owned assets are important local revenue sources. For better utilisation of this revenue potential, the local governments should be supported by establishing electronic registry of local property and by technical assistance in developing IT based property management tools, guidelines for local property management.

4.8 Budgeting, fiscal planning

Greater local accountability through transparency in fiscal planning: higher local revenue raising autonomy will increase the need for transparency in local budgeting. It requires better connection with the citizens and all other local stakeholders during budget preparation. The budget documents, the approved budgets and the budget implementation reports should be made available on the website of the local governments. The local budget should be explained for the ordinary readers in the form of a citizen budget. National level planning of intergovernmental fiscal relations and local government expenditures should be opened up by sharing disaggregated fiscal data on local finances and by regularly publishing information with local government fiscal indicators.

4.9 Deregulation and capacity development

Developing ex-post control of local financial management: the present multi-channel control of local government financial decisions creates an over-regulated financial management system. It not only decreases local autonomy, but leads to overlapping responsibilities and unclear distribution of competences on local financial management between local government and other audit and control agencies. Minimising the external legal control and in parallel developing the municipal internal audit would gradually create a more effective control system in local financial management.

Training and capacity development: implementation of far reaching changes in local financial management requires improved capacities of local staff, elected officials and councillors. The institutional framework and the financial basis of local capacity development should be established.

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Appendix 1. Institutions visited, persons interviewed

Organisation	***Stakeholder interviewed***	***Title***
Ministry of Interior	Mr Nikolaos Chatziergatis	Director of Local Government Finances
	Ms Maria Nikou	Director of Local Government Financial and Developmental Policy
	Mr Vassilis Labrakakis Mr Kostas Tryposkoufis	Head of Dept. of Local Government Data Monitoring and Processing Officer
	Ms Panayota Aleiferi	Head of Dept. of Property
	Ms Anna Koutselaki	Head of Dept. of Income
	Mr Kostantinos Zafeiriou	Head of Dept. of Financial Management and Budget
Ministry of Finance	Ms Stavroula Miliakou	General Director of Fiscal Policy and Budget
	Mr Giorgos Giannakopoulos	
	Ms Chrysanthi Chatzidimitroglou	
Court of Audit	Ms Georgia Maragkou	Vice President
Consignment Deposits and Loans Fund	Mr Konstantinos Varlamitis	President
Supreme Council for Civil Personnel Selection (ASEP)	Ms Kalliopi Stagka	General Director
	Ms Despina Simitzoglou	Director of Calls for Recruitment
	Mr George Kavadas	Head of Department of Local Self-Government Control
Ministry of Justice, General Secretariat Anti-Corruption	Mr Yiannis Selimis Ms Olga Tsiara	Inspector
OECD	Mr Angelos Binis	Special advisor
Expertise France	Ms Dimitra Ioannou Ms Gina Korella	
EETAA – Hellenic Agency of Local Development and Local Government	Mr Yannis Goupios	Expert on Financial Issues for Local Government
Decentralized Administration of Attica	Ms Angeliki Voyatzi	Director
Attica Region	Mr Kosmas Papachrysovergis	Executive Secretary
Municipality of Athens	Mr Spyros Chamakiotis,	Head of Financial Department
Municipality of Kallithea	Mr Nikos Nikolakopoulos Ms Paulina Gianneta	Secretary-General Head of Finance Department
Municipality of Acharnes	Mr Ioannis Kassavos Mr Ilias Zitounis Ms Eirini Lekka	Mayor Vice – Mayor for Finance Head of the Financial Department

Appendix 2. Municipal survey

To what extent do you agree with the following statements? Please mark on a scale from 1 to 4, where 1 is "do not agree at all" and 4 is "fully agree"!	*Share of "fully agree-4" and "agree-3" among the valid responses*	*Do not know, no answer (%)*
Information on the financial status of our local governments is known by the general public	89,4%	6,0%
The sectoral (line) ministries intervene in preparing the local government annual budget	83,0%	6,0%
Our local government has complete and accurate inventory of all the municipal assets	54,2%	4,0%
Local governments have sufficient level of fiscal autonomy	47,8%	8,0%
Central government limitations on the local budget are based on objective, transparent and verifiable criteria	44,7%	6,0%
Citizens and businesses pay appropriate fees and charges for the local services received	40,4%	6,0%
There is no need for central approval of local borrowing	37,0%	8,0%
External fiscal control does not limit our budget spending autonomy	25,0%	4,0%
The amount of grants received from KAP is predictable, that is it can be planned for several years	24,0%	0,0%
Local own source revenue raising potential is taken into account in grant allocation	13,3%	10,0%
The electronic survey of mayors was implemented by Regional Development Institute in the period of 24 April-May 10, 2017.		

Responding local governments		**Responding local governments by Decentralized Administrations**	
Number of local governments	50	AIGAIO	6
Population number, total	3,249,584	ATTICA	16
Local government by population size		CRETE	3
below 10,000	5	IPIROS - WESTERN MACEDONIA	3
10,000-40,000	13	MAKEDONIA-THRAKI	8
40,000-70,000	13	PELOPONESE - WESTERN GREECE	8
70,000-110,000	10	THESSALY-STEREA ELLADA	6
above 110,000	9		
Municipalities on			
mainland	39		
island	11		

Appendix 3. Local Finance Benchmarks

FINANCIAL RESOURCES					
SECTION and AREA (with reference to the number of Recommendation)				**ACTIVITY, INDICATOR**	**SCORE**
I.			***General principles of financial resources***		***4***
	1		**Goals of intergovernmental fiscal relations (R2)**		**4**
		1	Ensure vertical fiscal balance: secure revenues according to responsibilities and standard needs	newly assigned local responsibilities are coupled with increased local budget revenues (transfers, own revenues)	
				changes in service (input or output) standards are compensated by higher local revenues	
				increase in tax burden (on labour or services) is followed by enhanced local resources	
		2	Support horizontal fiscal equity	similar functions are financed in a similar way for all types of local governments	6
				differences in service costs are taken into account in grant allocation	
				differences in revenue raising potential are taken into account in grant allocation	
				ratio of per capita municipal expenditures in the richest and poorest regions (trend)	
		3	Enhance efficiency through fiscal incentives for revenue raising and cost savings	incentives created by the intergovernmental transfers on the expenditure and revenue side of the current and capital budget	3
				local governments are not compensated for above the average (or planned) expenditures	
				local governments are not compensated for collecting below the average (or targeted) own source revenues	
	2		**Own source revenue raising autonomy**		**4**
		1	Revenue adequacy: local governments have adequate own source revenues (taxes, user charges)	ratio of own source current, capital and total revenues in the percentage of local budgets	5
				local own source revenues are directly connected to local functions and competencies	

		2	Local governments have tax autonomy	local autonomy in defining tax base (allowances)	5
				local autonomy in setting the rate	
		3	Revenue autonomy: local governments have autonomy in disposing own sources revenues, dominated by reciprocal fees	local own source revenues are accounted against the expenditure appropriations during the national fiscal planning	2
				use of own source revenues is connected to special funds or groups of expenditures (earmarked revenues)	
				local government has the authority to control the own revenues raised by the municipal service organisations	
	3	1	**Tax sharing (R9)**: related to local tax effort (allocated on a derivation basis)	significance of taxes shared with local budgets	**2**
				methods of tax sharing: proportional to tax base, collected taxes or arbitrary (formula or ad hoc decision)	
				local influence on shared tax revenues (base, amount)	
				compensation for lower and reduction of higher shared revenues by the central budget	
	4	1	**Equalisation grants (R10**): Compensation for financially weak local authorities (the difference between standard spending needs and local financial capacity)	regulation is focused on local government specific or standard (average, minimum) local expenditures	**5**
				assessment of local own source revenues: projecting local government specific or standard (average, minimum, maximum) local own source revenues (R)	
				significance of exceptional grants among transfers or in local budget	
	5		**Financing delegated service (R12)**		**8**
		1	Full funding for local services, which are administered under central control (school maintenance, fireprotection, center for citizens)	setting the standards and performance level of delegated services	10
				accounting regulations and cost allocation rules of delegated services are in place	
				funding standards and budgeting practices of delegated functions	

		2	Central contribution to locally controlled delegated services, programmes (connectivity principle)	local autonomy in setting service volume, inputs, administration/management and organisational forms of delegated functions	6
				allocation of intergovernmental transfers to delegated functions (R10-R11)	
II			***Local own source revenues***		***6***
	1		**Sufficient local taxes, ensuring accountability (R13, R17)**		**6**
		1	Local taxation is regulated by laws	minimum/maximum level of major own source revenues set by law	10
				scope of municipal autonomy in setting local own source revenue base and rate	
		2	Own resources are sufficient to finance significant proportion of local responsibilities, set by law	number of local taxes (low), local fees (high)	4
				ratio of local taxes to current and total revenues	
		3	Local taxes should encourage accountability through wide local scope of manoeuvre	local governments' autonomy in: a) defining tax base, exemptions; b) setting tax rate (regulation allows: 0, minimum, maximum, range) ; c) tax collection is locally administered	3
				availability of information on local taxes collected by higher level of governments	
				local taxes are more levied on voters	
	2		**Diverse, fair, proportional to benefits, visible local taxes**		**7**
		1	Local taxes are levied on resident individuals, property, businesses (R24)	proportion and type of local tax revenues collected from a) residents, b)service users, c) businesses	10
		2	Local taxes are levied according to taxpayers' ability to pay (R25)	local tax exemptions and relieves, set by law and by local regulations	3
				variation of effective tax rates by municipalities	
		3	Local taxes are reasonably stable and foreseeable	changes in legislation and regulations on local tax laws	9
		4	Local taxes limit distortion, discrimination, inequalities	progressivity of local taxes	2
				local taxes in percentage of income or net wealth	
		5	Local tax burden is related in a visible way to benefits received (R26)	characteristics of local taxes:	7
				a) scope, scale of local tax	

				revenues	
				b) number of local taxes	
				c) ratio of local taxes in municipal budgets	
		6	Tax-benefit principle: citizens and businesses as beneficiaries, pay charges, taxes for local services received (R6)	share of user charges, fees, miscellaneous revenues compared to expenditures by functions	
				share of resciprocal fees, compared to household income	8
				share of user charges, fees, local taxes compared to overall tax burden on shops, restaurants, caffes	
	3		**Tax administration**		**5**
		1	Central support to local tax administration (R31, 34)	Information (registry on tax payers, tax base) is shared with local tax administration	
				Models for local tax regulations are disseminated	
				Training and information exchange for local staff	5
				Harmonised IT systems	
				Single database, access point to all local taxes	
				Citizen information centres at local governments (number, functions)	
		2	Timely transfer of centrally collected local taxes, regular payments (R35)	regulations on transferring local and shared taxes by national tax administration: timing, instalments, end of year balancing, arrears	3
		3	Single common litigation procedure (R36)	unified appealing rules	
				number of cases at first and higher instances, compared to total number of taxpayers	7
III			***National policies towards local taxes***		***6***
	1		**Neutrality and limited distortion (R30, R19)**		**7**
		1	Municipalities do not restrain economic growth and structure (minimum impact)	scope of local taxes, charges	
				differences in setting local tax base and rate	7
		2	Prevent internal migration (demographic distortion)	overall local tax wedge on residents	
				balanced structure of own source revenues (user charges and local taxes)	7

		3	Do not cause further problems for poor (social distortion)	overall local tax wedge on residents	7
				local tax burden compared to national one	
				variation of tax rates by municipalities	
	2		**Openness and consultation in local tax policy design (R23)**		**6**
		1	Local tax policy design at national level: publication of information, national debates, consultation	availability of information on potential local tax revenues	9
				modelling and simulations on local tax policy design	
				involvement of local governments in drafting tax laws	
		2	Local tax policy design at local level: public meetings, public votes, publication of key documents	general requirements on local legislative process:	2
				a) involvement of taxpayers in the amendment of decrees on local taxes	
				b) sharing information on tax policy design, implications on local budgets	
IV			***Reciprocal fees, charges, levies and dues***		**4**
		1	Fees, charges should make considerable contribution to local revenues (R68)	User charges, fees in percentage of total current budgets	8
				User charges, fees in percentage of total own source revenues	
				Ratio of user charges by specific groups of local governments, groups by population size, administrative status, per capita total budget	
		2	Fees and charges should not limit access to services (R68, R70, R71)	Minimum service standards are set by national government	5
				Conditions for accessing services (subsidies, exemptions for disadvantaged groups)	
				Equal access through regulated fees (setting maximum and/or minimum charges)	
		3	Local autonomy in designing charging policy (R69)	Pricing methods are set by law	8
				Differences in user charges by local governments	
		4	Eligible users and not services are subsidised locally (R7)	charging methods (flat or differentiated)	1
				forms and scale of subsidies to	

				service users	
				national regulations on local tax relieves and exemptions	
V	1		***Shared revenues are non-earmarked additional revenues, set by law (R14)***		**2**
		1	Locally raised (proportional), non-earmarked taxes, regulated by law	types of national taxes shared with local budgets	0
				ratio of shared national taxes in local budgets	
		2	Timely transfer of shared revenues collected (R35)	timely transfer of shared taxes	3
				timely transfer of local taxes, collected by the national tax administration	
VI			***Fiscal equalisation (KAP, specific grants)***		***6***
	1	1	**Political decision target economic stability and sustainable regional development (R40)**	political goals and preferences are reflected by the equalisation schemes	**7**
				priorities of intergovernmental fiscal relations are derived from fiscal policy goals	
				fiscal policy goals are translated into techniques of grant allocation	
	2		**Policies towards general and specific grants**		**9**
		1	Grants should be regulated by laws (R58)	specific laws identify the types, forms and allocation methods of intergovernmental transfers and rules of revenue sharing	8
				national (annual) budget regulates grant allocation	
				types, award criteria and actual allocation of capital investment grants are regulated by laws	
		2	General grants are the preferred forms of intergovernmental transfers (R59)	composition of intergovernmental transfers	9
	3		**Stable, foreseeable, standardised equalisation schemes (KAP)**		**8**
		1	Stability is needed in calculating total sum of local grants (R61, R62)	Total pool of intergovernmental transfers is linked to economic indicators in a transparent way	9
				Economic (fiscal) policy goals determine total sum of grants	
				No arbitrary decisions on total sum of grants are made during the fiscal year	
				There are no frequent changes in methods of planning total sum	

				of grants	
		2	Various factors should be taken into account for calculating the total sum of general grants (R60)	Fiscal planning of total general grants are based on factors like:	8
				a) demographic changes (population number, age composition)	
				b) economic conditions: growth, inflation, budget deficit	
		3	Vertical equalisation (grants) should be indexed to growth of aggregate national budget revenues (R42)	total pool of intergovernmental transfers for current budget are budgeted according to set rules:	8
				linked to national tax revenues	
		4	Degree of equalisation in revenue capacity and spending needs is clear and foreseeable (R43)	methods of estimating local own source revenues are standardised and public	5
				methods for estimating all groups of local expenditures are standardised and public	
				allocation methods for most types of grants are standardised and public	
	4		**Objectives of fiscal equalisation (KAP)**		**5**
		1	Factors of inequalities are separately taken into account:		6
			a) financial capacity: measurement and incorporation into the transfer system (more resources to financially weaker authorities) (R38, R39)	share of own source revenues taken into account in the grant formula	*3*
				local autonomy over own source revenues incorporated in the transfer scheme	
			b) compensation for differences in spending needs (more resources for additional services and specific factors) (R38, R39)	composition of intergovernmental transfers: more general, formula based grants allow more compensation	*7*
			c) no compensation for differences in local spending preferences (R38, R39)	grant allocation formula is based on proxies of demand for services	*8*
				more proxies of demand and not actual service capacity measures are used for grant allocation	
		2	Similar tax efforts should result similar level of services (R37)	scale of incorporating revenue raising capacity in the grant allocation schemes	0
				strong statistical relationship between per capita expenditures	

				and per capita local taxes	
		3	Regularly assessing the impact of equalisation systems (R47)	number and significance of changes in equalisation schemes during the past five years	8
				intergovernmental fiscal policy design capacity at the government (in house)	
				external intergovernmental fiscal policy design capacity (private and third sector)	
	5		**Transparent and understandable information on equalisation systems is provided to LGs(R41)**		**9**
		1	Eligibility criteria for equalisation in revenue capacity and spending needs are laid down by law (R44)	intergovernmental transfers for current budget are regulated by law	10
				intergovernmental transfers for capital budget are regulated by law	
		2	Information on equalisation schemes are disseminated and explained	transfers for *current* budget expenditures are allocated by set criteria and rules	7
				transfers for *capital* budget expenditures are allocated by set criteria and rules	
				grant allocation criteria and procedures are known by local governments	
				grant allocation criteria are discussed with representatives of local governments (e.g. associations)	
	6		**Specific grants**		**3**
		1	Objectives of specific grants should be limited to (R65):	Proportion of specific (earmarked) grants within the total pool of transfers	4
			a) co-financing capital expenditures (matching grants)	Specific grants as the share of capital grants	
			b) financing minimum level (standards) of municipal services	Matching grant schemes in percentage of total capital grants	
			c) financing delegated public services	Ratio of delegated services in total local budgets	
				Grants compared to total costs of delegated services	
		2	Specific grant allocation criteria (R66)	They should be	5
				a) based on objective criteria	
				b) related to spending needs	
				c) transparent, when all eligible local governments are informed	

				d) awarded by transparent procedures	
		3	Conditional specific grants should be allocated by criteria, which measure local financial capacity (R67)	Matching criteria should take into consideration local fiscal capacity	0
	7		**Allocation of specific grants to delegated services**		**2**
		1	Formula based assessment of spending needs should be comprehensive, stable, detailed, reliable and simple (R50, R51)	rules of grant allocation schemes (formulae) are set for a longer period	4
				grant allocation criteria are linked to main groups of local functions	
				methods of spending need assessment, grant allocation are understandable and communicated with the general public	
		2	Overall financial capacity should be taken into account (comprehensiveness (R53), representativeness (R56))	standardised measurement of local revenue raising capacity for the revenue equalisation grants	1
				all major local government revenues are incorporated in grant allocation formula	
				share of transfers used for “gap filling” in the overall grant allocation schemes	
		3	Equalisation grant allocation criteria create local incentives (R49)	equalisation criteria support rationalisation of service provision through cooperation, mergers achieving economies of scale and service efficiency	1
				grant scheme does not penalise local governments for lowering costs	
				impact on local tax policy: not penalising for tax efforts;	
				transfer mechanisms do not endanger accountability	
		4	Local discretion over grants for equalisation purposes(R48)	block and general grants dominate intergovernmental transfers	0
				programme based grants are monitored according to general rules of audit	
				programme based grants are based on public contracts	
VII			***Borrowing***		**9**
		1	Loans should be used for financing capital expenditures (R73)	Forms of loans available for local governments	8

				Short term borrowing in percentage of total borrowing (within a fiscal year)	
				Composition of annual debt burden by loans with different maturity	
				Share of loans funding total capital budgets	
		2	Current expenditures should not be financed through loans, except for managing short term cash flow problems (R74)	Forms of loans available for local governments	8
				Short term borrowing in percentage of total borrowing (within a fiscal year)	
				Composition of annual debt burden by loans with different maturity	
				Number of short term loans (trend)	
		3	Borrowing is preferred in service areas, where loan is repaid by recpirocal fees (R73)	Loans used by service areas	7
				Sources of repayment of loans	
		4	Central authorities should not guarantee local loans (R76)	Guarantees issued by national government/budget	10
		5	National regulations might set limits on local borrowing, but restrictions should be fair and discussed with local authorities (R75)	Limitations on local government borrowing:	10
				total amount of outstanding debt (in percentage of total budget)	
				total amount of annual debt repayment and interest (in percentage of current or own source revenues)	
				by setting borrowing procedures (authorisation)	
				Involvement of local authorities in setting the limits to local borrowing	
VIII			***Local property management***		**7**
		1	Local ownesrhip over municipal property is clearly regulated by law	laws and regulations on local government assets exist	7
				frequency of amendments in local asset regulations	
				comprehensive information on local government property is avaialable at central level	
		2	Local property registration system and inventories are set up and well managed	report on local assets is based on inventories, audited information sources	9

				complete inventories of direct and indirect (contingent) liabilities	
				municipal balance sheets are annually prepared	
				consolidated local government balance sheets are publicly available	
		3	Regulations on local property management are in place and enforced	property valuation methods are known and used	5
				clearly regulated decision making powers on sale, use and charging of municipal assets	
				local incentives for raising property related local revenues	

FINANCIAL MANAGEMENT

SECTION and AREA (with reference to the number of Recommendation)		ACTIVITY, INDICATOR	SCORE
I	***Budget preparation and approval framework***		***9***
1	Law should establish the main rules of budget procedures, approval and budget implementation. (R.4.)	Rules and procedures of budget preparation: . define the different actors involved in budgeting . set the responsibilities and powers of these players . define the information basis and required outputs . timing and stages of fiscal planning	9
		Guidance is provided to support the local level budgeting (“rule book”)	
		Mandatory and optional content of local budgets is set	
		Planning methods of delegated functions are set	
2	Local budget resources should be designed within the framework of national economic policy (R.1)	National economic priorities are reflected by the framework of local budget planning (economic growth, inflation, public debt)	9
		National economic policy targets are reflected by the regulations on . local tax policies . revenue sharing and . grant allocation policies	
3	Autonomy in local budget adoption and in setting the operational rules (R.6.)	Control (influence) of national government agencies over local budget planning and financial management	9

		Local scope of *manouvre* in local budget design	
4	Standards for planning spending needs of essential local services (R.19.)	Sectorial regulations on fiscal planning of basic local services	6
		General fiscal planning rules and regulations on cost estimation	
		Centrally defined standards on local services are available	
5	Mechanisms are in place if local budgets are not adopted in time (R31)	Procedures for managing delays in annual budget approval	10
		Reports on the timing of budget adoption	
II	***Budget restrictions***		***8***
1	General (applied to all) or specific restrictive measures should aim to ensure macro-economic balance and have to be rule based (R. 9.)	Clear, transparent goals of restrictive measure	10
		Clear objectives and rules for specific, targeted limitations	
		Set rules for national government units to limit local budget appropriations	
2	Restrictions should be implemented within the set financial management framework (R.8)	Purposes and frequency of announcing extraordinary macroeconomic measures	10
		Regulations to limit the national government powers to intervene into local budgets	
		Methods of occasional restrictions on local budgets due to exceptional central budget circumstances	
3	Limitations should be based on objective, transparent and verifiable criteria set by law and applied fairly (R.10, 14)	Local budget limitation rules are public	5
		Measurable criteria for budget restrictions and limitations	
		Impact assessment of local restrictions exists	
		Results of budget restrictions are published	
4	Mechanisms for regular dialogue and consultation over budgetary limitation are in place and they are followed (R.11)	Consultations on local fiscal restrictions and occasional limitations	5
		Set procedures for negotiating budgets and budget amendments, financial management regulations with local government representatives	

III	***Financial risk assessment and management***		***7***
1	Monitoring and warning mechanisms for assessing financial risk are in place (R20)	Reporting mechanism on local spending and revenue is in place	9
		Implementation of local budgets is regularly evaluated	
		Rules and protocol for gathering and publishing fiscal information on local budgets	
		Disaggregated fiscal database is used by the national government	
2	Information on the financial status of a local government publicly available (R36)	Indicators for comparing local budgets are in use	7
		Free access to information on local budget data	
3	Financing techniques for hiding local government debt are prohibited (R.22)	Accounting and reporting rules on local government debt regulations are in place	6
		Local governments follow established internal audit practices	
		Regular external audit of local finances exists	
		Plans for asset sale, timing of selling local assets	
4	Assets of mandatory municipal services cannot be used as collateral for borrowing or as debt guarantee (R.23)	Local government borrowing regulations	7
		Local government collaterals and guarantees are listed	
IV	***Recovery of local authorities in financial difficulties***		***8***
1	Current expenditures are primarily financed by current revenues and non-earmarked reserves (R 35)	Clear definition of re-current and one-time (capital) revenues	8
		Legal separation of current and capital budgets	
		Local autonomy in using budget reserves	
2	Procedures for local management of short-term financial crisis (insolvency) are in place (R37)	Number of local government cases with financial difficulties: delayed payments; uncollected revenues; restructured debt	10
3	Clear intervention rules for managing local financial difficulties (R38)	Cases of managing local government with financial difficulties (trend)	0
		Scope and form of national budget intervention in local default cases	
4	National funds are allocated for managing emergency situations (R41)	Size of vis major funds	10

		Actual allocation of funds for emergency situations (EUR, cases)	
5	Grants for financial recovery should be preceded by a dialogue and recovery plan (R42)	Cases of financial recovery	10
		Methods of drafting local financial recovery plans are in place	
		Rules of negotiating local financial recovery are established	
6	Financial assistance is proportional to local government's wealth and economic potential (R43)	Scope of funds allocated for financial recovery, cases managed	10
		Rules and methods of drafting local financial recovery plans	
7	Rules of financial recovery make local government officials responsible (R39)	Number of resignation or withdrawal of elected officials in bankrupt local governments	9
		Cases of dismissal financial managers in bankrupt local governments	
V	***Means of local government control***		***9***
1	External supervision is regulated by law (R 28, R29)	Rules and practices of external audit	10
		Statistics on financial and sectoral supervision and intervention	
2	External financil control does not limit local autonomy	Form and timing of ex-ante financial control	10
		Impact of ex-ante control over local budget implementation	
3	Reasonable time is allowed if prior approval is needed by supervisory authority (R30)	Scope of local budget appropriations requiring prior approval	6
		Steps of higher authority intervention in local financial decisions	
		Higher authority (DCA) intervention cases in local financial decisions	
4	Legal supervision with independent appealing options (R28)	Form and practice of external audit	8
		Cases on dispute resolution on supervisory reports	
		Statistics on local appeals against first level audit reports	
VI	***Responsibility of elected representatives and staff***		***8***
1	Local responsibility for the quality and accuracy of the financial information and budgetary reports. (R. 25)	Standard rules and procedures on preparing and submitting local budget reports	10
2	Rules on personal (individual) accountability for discretionary local	Court cases of local misconduct	10

	fiscal decisions (R26)	Published cases of local misconduct	
3	Professional training for appointed and elected local officials exists (R27)	System of training civil servants in public financial management	6
4	Guaranteed resources for professional training of appointed and elected local officials exists (R27)	Funding mechanism of civil service training	5
		Local access to training on PFM	

Appendix 4. Local Fiscal Autonomy

Classification of local governments based on own source revenues

The present document was prepared by the Centre of Expertise for Local Government Reform of the Council of Europe in co-operation with Mr. Gabor Peteri and Mr. Yannis Psycharis, Council of Europe Experts

List of Abbreviations

ELSTAT Hellenic Statistical Authority

LG Local Government

NUTS Nomenclature of territorial units for statistics

OECD Organization of Economic Cooperation and Development

About the report

This brief report aims at measuring fiscal autonomy on the basis of own revenues of local governments (LG). The report takes into account two indicators for own revenues. The first one follows the legal regulations, reflecting the generally accepted categorisation and utilised by the MoI. The other one is based on the OECD classification[5] of taxing power and was developed by the Council of Europe specifically for this study. According to the OECD criteria, real own source revenues are those local taxes or fees when the tax base and the rate are set by the local governments.

Data Analysis

According to the OECD categorisation, seventeen different types of fees and taxes are qualified as real own source revenues. (Appendix A.) They represent 74% of the own revenues, which are defined by law. The group of real own source revenues is dominated by the fee for cleaning and lighting (Article 25 N 1828/89), which is 64% of these real own source revenues.

In this study for presenting the differences in fiscal autonomy, municipalities have been grouped by population size (Table 1.). According to the present regulations the own revenues represented the 34.6% of total local government revenues in 2015. While if we use the OECD indicator, the real own source revenues comprise only 25.6% of total local revenues. The ratio of real own source revenues is higher in the larger, more urbanised local governments. However, there are exceptions: municipalities with population 1-5 thousand have higher own source revenues, while among the larger ones the group of municipalities with population 15-25 thousand have lower share of own revenues.

Table 1. Own revenues and total local revenues by population groups, 2015

Population groups	*Number of LG*	*Permanent population 2011*	*Own revenues (by law)*		*Real own revenues (OECD)*	
			%	*in % of total revenues*	*%*	*in % of total revenues*
>100,000	*17*	*2,943,593*	24,9%	35,9%	26,3%	27,9%
50,000-100,000	*48*	*3,326,961*	26,8%	31,9%	27,7%	24,3%
25,000-50,000	*73*	*2,506,158*	29,3%	38,9%	27,7%	27,2%
15,000-25,000	*55*	*1,064,326*	11,5%	30,8%	11,4%	22,6%
10,000-15,000	*51*	*640,849*	4,4%	34,3%	4,3%	24,3%

[5] OECD (2013), Measuring Fiscal Decentralization: Concepts and Policies, OECD Fiscal Federalism Studies, OECD Publishing, Paris.

5,000-10,000	*31*	*234,359*	1,7%	31,1%	1,4%	19,4%
1,000-5,000	*36*	*91,579*	1,3%	36,0%	1,2%	24,5%
< 1,000	*12*	*6,650*	0,2%	23,5%	0,1%	11,8%
Total	**323**	**10,808,609**	**100,0%**	**34,6%**	**100,0%**	**25,6%**

Note: missing data for two observations - Source: Ministry of Interior, ELSTAT

The table above also shows that 52% of own source revenues are raised in the large size local governments with population above 50 thousand. This ratio is proportional to the population of these 65 local governments, because 54% of the country population lives here.

In addition, local governments were grouped by the level of fiscal autonomy (Table 2.) By measuring the share of real own source revenues in percentage of total local government revenues we identified five categories of local governments. According to this indicator fiscal autonomy ranges from low level (below 18%) to high level (above 45%). Table 2. presents the differences across these groups of local governments.

Table 2. Own revenues by level of fiscal autonomy

Real own revenues in % of total revenues	*Number of LG*	*Permanent population 2011*	*Own revenues (by law)*		*Real own revenues (OECD)*	
			%	*in % of total revenues*	*%*	*in % of total revenues*
<18%	122	2 779 759	18,0%	22,5%	14,3%	13,2%
18.1-25.0	79	3 218 450	25,5%	30,6%	24,7%	21,9%
25.1-32.0	66	2 232 712	19,6%	37,2%	20,3%	28,4%
32.1-45.0	35	2 165 838	23,9%	46,1%	26,0%	37,0%
45.0%<	21	557 804	12,9%	62,5%	14,7%	52,6%
Total	**323**	**10 954 563**	**100,0%**	**34,6%**	**100,0%**	**25,6%**

Source: Ministry of Interior, ELSTAT

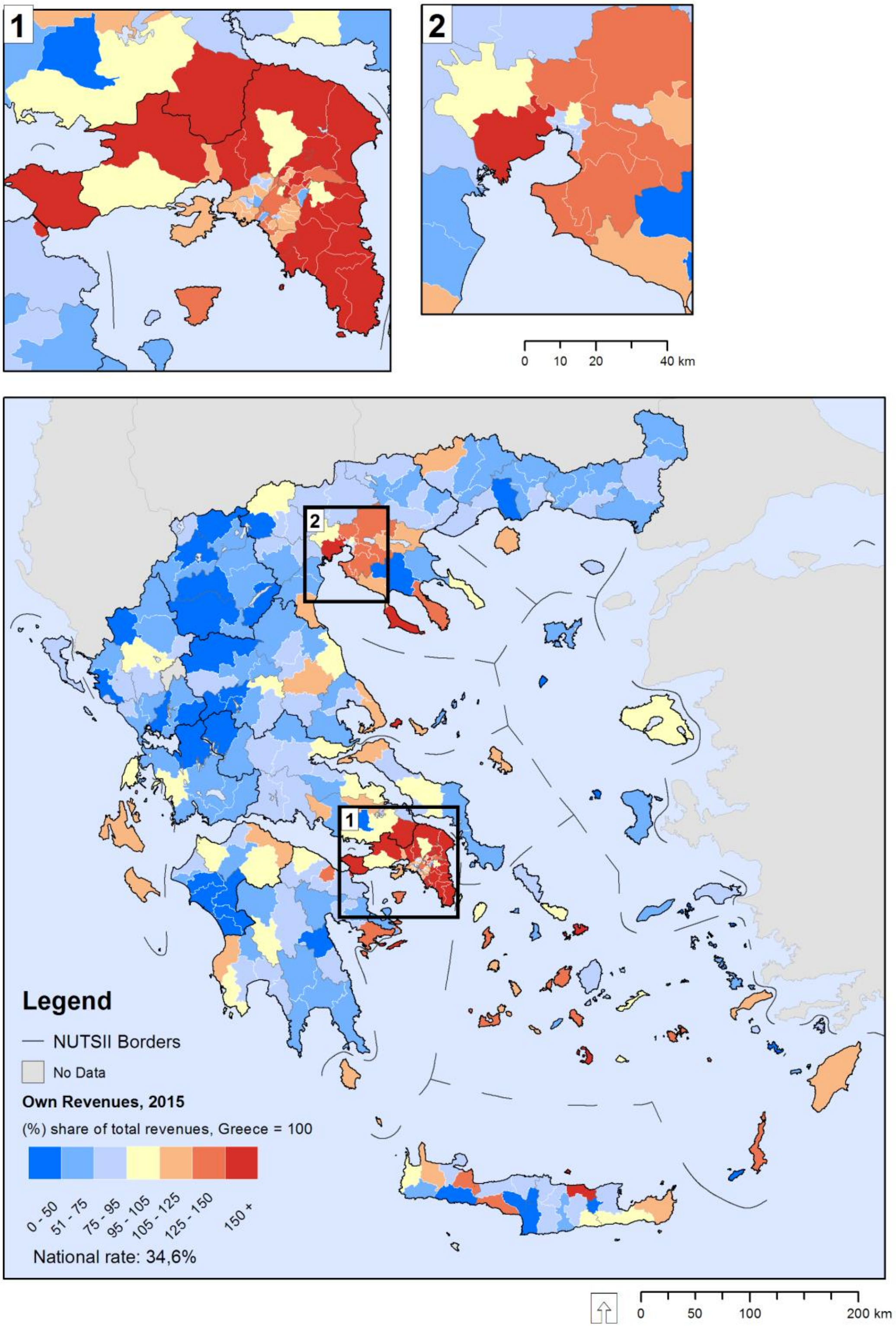
The first group (lowest level of real own source revenues) includes 122 municipalities, where more than one quarter of the population lives. It is worth noting that in this first group only 14% of real own source is raised by municipalities. In the 21 local governments with the highest level of fiscal autonomy the ratio of real own source revenues is 53% and the 15% of these revenues is raised at local level.

The regional differences are shown by municipalities along the NUTS II regions (Figure 1.). The map presents the share of own revenues in total revenues in percentage of the national average (34.6%). The municipalities marked with blue colour are below 50% of the national average, while the red ones are above150% of the average.

The map shows the concentration of own revenue raising potential. The highest values are concentrated in the urban municipalities and in some island municipalities, while the lowest own revenue raising potential corresponds to the mountainous regions.

Figure 1. Differences in own revenues compared to total local revenues in Greece

(1: Athens and 2: Thessaloniki)



Source: Ministry of Interior

APPENDIX A. Categorisation of local government own source revenues

1. *Own source revenues by law (main groups)*

1. ΠΡΟΣΟΔΟΙ ΑΠΟ ΑΚΙΝΗΤΗ ΠΕΡΙΟΥΣΙΑ	REVENUE FROM IMMOVABLE PROPERTY
2. ΕΣΟΔΑ ΑΠΟ ΚΙΝΗΤΗ ΠΕΡΙΟΥΣΙΑ	REVENUE FROM MOVABLE PROPERTY
3. ΕΣΟΔΑ ΑΠΟ ΑΝΤΑΠΟΔΟΤΙΚΑ ΤΕΛΗ ΚΑΙ ΔΙΚΑΙΩΜΑΤΑ	REVENUE FROM CONTRIBUTIONS AND RIGHTS
4. ΕΣΟΔΑ ΑΠΟ ΛΟΙΠΑ ΤΕΛΗ ΔΙΚΑΙΩΜΑΤΑ ΚΑΙ ΠΑΡΟΧΗ ΥΠΗΡΕΣΙΩΝ	REVENUE FROM OTHER RIGHTS AND SERVICE PROVISIONS
5. ΦΟΡΟΙ ΚΑΙ ΕΙΣΦΟΡΕΣ	TAXES AND CONTRIBUTIONS
7. ΛΟΙΠΑ ΤΑΚΤΙΚΑ ΕΣΟΔΑ	OTHER REMAINING INCOME
11. ΕΣΟΔΑ ΑΠΟ ΕΚΠΟΙΗΣΗ ΚΙΝΗΤΗΣ ΚΑΙ ΑΚΙΝΗΤΗΣ ΠΕΡΙΟΥΣΙΑΣ	REVENUE FROM THE DISPOSAL OF MOVABLE AND IMMOVABLE PROPERTY
14. ΔΩΡΕΕΣ-ΚΛΗΡΟΝΟΜΙΕΣ-ΚΛΗΡΟΔΟΣΙΕΣ	DONATIONS-HERITAGE-RELIGIONS
15.ΠΡΟΣΑΥΞΗΣΕΙΣ - ΠΡΟΣΤΙΜΑ - ΠΑΡΑΒΟΛΑ	IMPORTS - FINES - CREDITS
16.ΛΟΙΠΑ ΕΚΤΑΚΤΑ ΕΣΟΔΑ	OTHER EXPENDITURE
21. ΕΣΟΔΑ Π.Ο.Ε. ΤΑΚΤΑΚΑ	REVENUE POE
22.ΕΣΟΔΑ Π.Ο.Ε. ΕΚΤΑΚΤΑ	REVENUE POE EXTRACT
32. ΕΙΣΠΡΑΚΤΕΑ ΥΠΟΛΟΙΠΑ ΑΠΟ ΒΕΒΑΙΩΘΕΝΤΑ ΕΣΟΔΑ ΚΑΤΑ ΤΑ ΠΑΡΕΛΘΟΝΤΑ ΕΤΗ	INCOME BALANCED FROM REVENUES INCURRED IN THE YEAR ENDED

2. *Real own source revenues (OECD categorisation)*

Own source revenues		*In % of own source revenues*
0311	Fee for cleaning and lighting (Article 25 N 1828/89)	63,7%
0322	Water supply fee	2,4%
0441	Fee for immovable property (Article 24 of Law 2130/93)	8,1%
0461	Fee for use of communal areas (Article 3 N 1080/80)	1,9%
0511	Electricity tax (Article 10 of Law 1080/80)	6,8%
0512	Beer tax (Article 9 SW 703/70, Article 12 N 1080/80)	0,0%
0513	Municipal tax of Dodecanese (article 60 N 2214/94)	0,0%
2111	Regular revenue from cleaning and electric charges	8,4%
2112	Regular income from fees and water rights	2,8%
2113	Regular revenue from fees and irrigation rights	0,3%
2114	Regular revenue from fees and sewerage rights	0,3%
2115	Regular revenue from real estate tax	1,1%
3211	Fees for cleaning and lighting	0,7%
3212	Fees and water rights	2,8%
3213	Fees and irrigation rights	0,4%
3214	Fees and sewerage fees	0,2%
3215	Fee of immovable property	0,1%
	memo item: total own source revenues (EUR)	1,507,535,003

Source: MoI database