

Project proposal on
Municipal Finance Database
- PREPARATORY STAGE -

Project rationale

The local government finances and intergovernmental fiscal relations in most SEE countries are undergoing dynamic reforms. While the reforms are often sponsored and technically supported by the international donors and development agencies, they are rarely based on detailed data analysis. One of the reasons is that fiscal and basic service performance data are not always available or they are not easily accessible in a manageable format.

Most of the National Associations also lack comprehensive data collection mechanisms. Local government fiscal data and municipal performance information are usually not transferred by national agencies. Consequently the local government associations are not able to build their policy development proposals on sound data analysis. Lacking evidence based policy design puts them into an unfavorable position during the negotiations with the national government.

Disaggregated information on local finances and municipal performance by local governments is often missing for national governments, as well. Information on local governments is fragmented into distinct datasets; they are usually maintained by the Ministry of Finance, the Treasury or the line ministries.

This is the reason why local government associations have to be assisted to design and to develop local government financial databases. Municipal finance databases have to be built on the assessment of available information sources in selected countries. NALAS member associations have to be assisted in developing data collection, importing, conversion, management, maintenance and updating systems.

Selected data, collected by the local government associations will be made available for regional analysis and benchmarking. Member local government associations will have access to a limited number of municipal data and for aggregated information on local government finances.

Member associations will benefit from these comparable regional databases during the reform preparation process. By using the multi-country database NALAS will be able to expose the region-wide issues of fiscal decentralization.

Overall goal

The overall goal of this project is to improve the local government finances, intergovernmental fiscal relations and establishing municipal databases in NALAS member countries.

Information on municipal finances and performance will assist local government associations in policy design. It will strengthen their capacity to advocate reform steps and to actively participate in modernization of local government finances.

Responsibility

ZELS will take the lead in the project implementation and will be responsible for the actual management of this project, in cooperation with NAMRB, as TF FD hosting association. Both of them will actively cooperate with NALAS Secretariat, other NALAS Member Associations and external consultants.

Planned activities

Having in mind the complexity of the action, but also the importance of its effective implementation, the activities are divided in 3 clearly separated groups. It is foreseen that after realization of each phase, the results are evaluated by the NALAS Task Force on Fiscal Decentralization, and recommendations

for the next phase developed. Based on that, the new adjusted project proposal will be developed for the following phase, and submitted for funding to interested donors.

Therefore, this project proposal describes the first phase of the project Municipal Finance Database, comprising preparatory activities for the elaboration of operational system that will allow all NALAS members permanent insight in financial and other data needed for negotiations with the government and research.

PHASE 1: PREPARATORY STAGE

1. *Identifying the purposes and potential ways of using* the fiscal and performance data by local government associations, municipalities, other public and private actors of policy design.

After the engagement of the International Expert who will lead the process, the NALAS expert team constituted of 3-4 NALAS member experts will be established. The team will be in charge of collecting and analyzing data and identifying the common needs of NALAS members. Findings and recommendations will be presented and discussed at the Workshop attended by NALAS TF FD members.

2. *Specification of selected municipal and aggregate datasets* to be made available for member associations and for NALAS.

Based on the LGAs needs, the Expert Team will propose datasets that should be collected by each Association on permanent basis, in order to reach the objectives defined in the previous stage. The proposal will also be presented and discussed with TF FD members.

Final study, comprising both analysis on what LGAs want to achieve and what data are needed for that, will be printed and distributed to all NALAS members and partners.

3. *Development of municipal finance database model* that will allow comparisons at regional level.

The expert will be engaged to develop database model to be later adjusted for specific member purposes.

The proposal of municipal finance database model will include the standard format of data collection, identification of the information sources, as well as the design of the most needed data and useful indicators, that the municipal database might generate in NALAS member countries. The database will allow associations to perform various financial simulations of revenues, expenses, etc.

The preparatory activities will be coordinated with MLGA support to ZELS: MLGA will support the adjustment and implementation of the developed model in Macedonia. Therefore, ZELS database will be a pilot case and its experience will help development of databases in other NALAS countries.

PHASE 2

4. *Assessment of available information* on local government finances and performance by municipalities, presenting the specification of data (content, timeframe, format), sources and owners of information, legal status (publicly available or confidential), assessing the validity and reliability of information, potential costs of data transfer.

After defining the common set of actions and analysis that each LG association in the region should realize in order to be able to negotiate successfully with the government, the existing data sources in all NALAS countries will be assessed by the Expert Team supported by country experts. A standardized form will be developed and sent to country experts for data collection.

5. *Proposals for elaboration of Municipal Finance Database* at each associations based on their needs, with regard to the legislation, financial and accounting standards, potential sources available.

6. *Design an IT infrastructure* at the NALAS and its member association for managing the municipal database. This project will focus on hardware and software tools most suitable for managing this task in a coordinated way at the member associations and at NALAS Secretariat. The software to be used for municipal fiscal database should support the calculation of basic indicators (e.g. unit costs, ratios) and various groupings of data (e.g. by type of municipalities) in a user friendly way.

This phase of the proposal will provide estimates on potential costs of data collection, maintenance and will design options for sustainability and implementation. The third phase will be clearly defined and will begin once the goals of phase II are reached. This phase may include the following activity:

PHASE 3

7. Develop IT infrastructure at the NALAS member association's level. This will include installing servers, internet access, data import, conversion and updating software tools for each association. The software used for municipal fiscal database will support the creation of basic indicators (e.g. unit costs, ratios) and groupings of data (e.g. by type of municipalities) in a user friendly way.

Management and timing

| <i>Tasks to be completed</i> | <i>Timeframe</i> |
|--|------------------|
| 1. Engagement of external consultant | Month1 |
| 2. Creation of NALAS expert team | Month1 |
| 3. Collection of documents available, draft analysis on purposes and potential ways of using the fiscal and performance data | Month1-2 |
| 4. Presentation Workshop with NALAS Task Force on Fiscal Decentralisation | Month3 |
| 5. Finalisation of the analysis | Month3-4 |
| 6. Specification of selected municipal and aggregate datasets done by the Expert Team | Month4 |
| 7. Presentation Workshop with NALAS Task Force on Fiscal Decentralisation | Month5 |
| 8. Final study on the use of financial and performance data and appropriate datasets | Month5-6 |
| 9. Printing and dissemination of final study | Month6-7 |
| 10. Engagement on IT expert for development of standardized model of municipal finance database | Month6 |
| 11. Development of standardized model of municipal finance database | Month7 |

Outputs of the Preparatory phase

1. Analysis on purposes and potential ways of using the fiscal and performance data by LGAs
2. Overview of municipal and aggregate datasets needed for LGAs activities
3. Presentation of the Analysis and Overview to NALAS Task Force on Fiscal Decentralisation
4. Standardized model of municipal finance database

Outcome

1. NALAS member associations will improve their capacities for municipal data analysis and policy design.
2. Member Associations will be more efficiently engaged in negotiations with the national governments by using relevant data and evidence based policy arguments.
3. NALAS becomes a provider of useful information to member associations and towards international organizations, representing the countries in the SEE region.

Estimated budget: 30.000 EUR