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REPORT

From the training

“TRAINING FOR MUNICIPALITIES ON BUDGET PLANNING AND FORECASTING”

Organized by the
Financial Services Volunteer Corps (FSVC)

Prepared by Marjan Nikolov and Vesna Garvanlieva-volunteers



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Skopje, Macedonia

Background. The Consultants/trainers/volunteers were engaged by the FSVC to conduct two times two days training on budget planning and forecasting in the period 8 to 12 of February 2016 for the Tunisian Federation of Municipalities. The first round of the two days training took place in Hammamet and the second round of two days training took place in Tunis.

Given the time constraints for this training and the targeted audience, in this two days training the focus was on municipal budget planning and forecasting. On day 1 a condensed introduction to the main concepts of fiscal decentralization were presented followed by presenting and (if enough time) hands on work with the World Bank's Municipal Finance Self Assessment (MFSA) tool. For more general information on this tool please, see in the Annex of this document. Since the PPP is also a hot topic at the moment in Tunis, since the municipalities should provide better services to its citizens and since PPP is an instrument where the private sector could provide municipal services on behalf of the public sector we presented on day 1 some examples on PPP on a municipal level with the main attributes of PPP. PPPs are important to look at how to be planned because they are off budget items. PPP is also a specific challenge in the budget planning and forecasting even though it is an off budget item.

On day 2 the hands on work was organized with the World Bank's MFSA tool. Participants were organized in working groups of around five participants, working on MFSA tool pre-populated with input data. Each working group did the calculations, projections and data analysis. Key note speakers from each of the groups presented their findings. Consultants/trainers facilitated and made final reflections on the work of the working groups.

From organizational aspect this training went in best order and in accordance with previously set goals and directions.

From the aspect of possible risks (educational and skill's background of participants, dedication, expectations etc), most risks were mitigated due to a series of consultations with FSVC's Country Director Mr. Mourad Baly during the Skype conversation and e-mails exchange as well as consultation with the other FSVC representative Ms. Sarah Aasbo. Careful preparations were also done regarding the development of the agenda as of the content of the presentations, coordination of discussion, receiving good briefing materials for the subject matter in relation to the Tunisian context. The agenda was covered without any changes

Training topics:

- Fiscal decentralization
- Budget cycle of local governments, from planning, forecasting, budgeting, and accounting to reporting and
- The major challenges at various stages of budget planning and forecasting
- PPP at lower government level
- Hands on work on MFSA

Training methods: Power point presentations, examples of PPP, facilitating discussion, hands on work in working groups, and analysing case studies.

The training was structured in a way to provide participants in the beginning of the training day with background knowledge of main categories and context in order to be able to understand and comprehend the hands on work in the working groups.

Observations:

TRAININGS FIRST DAY

Another discussion that was raised was about the PPPs as off budget element. The discussion was in a sense of what is the role of government, the difference between public and private goods and the risk sharing as important categories in order to understand the PPPs. Interesting is that the participants recognized the importance of having good business environment for private partners to enter partnership with public sector in providing public services and in general for the entrepreneurs. This was also nicely connected to the overall discussion in the begging about the good governance and the role of the Parliament to hold government accountable in order to contribute to more transparency and thus, better business environment.

In that sense, the value for money-VfM concept in procuring PPP was illustrated. It is the difference between the risk adjusted public sector comparator-PSC (how much local government spend for example annually on maintaining government asset-building for example) and how much could a private partner spend on providing the same quality and scope of the public service at hand. The private sector is more efficient to manage certain risks and thus, can provide value for money. The importance of risk management was presented and how quantification of risk intensity and its probability can help in better planning of costs for complex projects.

TRAININGS SECOND DAY

The participants understood the need of the municipalities to raise funds from external sources (borrowing and donors) although this is still not a possibility. And in order to be able to complete this task there is a need of a sound and sustainable budget analysis and budget forecasting in at least in a mid-term perspective and a focus on the capital investment planning, for provision of effective public services.

Consultant's observation are that the Tunisian municipalities staff have the potential, and general understanding of budget preparation but further focused training is needed both at technical and material level. This is especially needed once the specific bylaws a will define the specific delegated roles to the municipalities and management of own revenues.

Participants of the training



Predetermined general agenda of the training:

Day 1 training

Topics to cover:

- Fiscal decentralization
- Budget cycle of local governments
- MFSA and the major challenges at various stages of budget planning and forecasting
- PPP at lower government level

9:00 – 9:30 – Welcome and Introductory Remarks

- (FSVC Baly Mourad and FSVC's Volunteers Mr. Marjan Nikolov and Ms. Vesna Garvanlieva Andonova)

09:30 – 11:30

- Introductory overview of intergovernmental fiscal relations
 - What is fiscal decentralization and its policy dimensions
 - What are the main pillars of fiscal decentralization
 - PPP at lower government level

11:30 – 11:45

- Break

11:45 – 13:00

- Fiscal decentralization continues

13:00 – 14:00

- Lunch

14:00 – 15:30

- World Bank's MFSA tool
 - Presenting the tool in details
 - Finance database
 - General accounting framework
 - MFSA and Urban Audit

15:30 – 15:45

- Break

15:45 – 16:30

- MFSA hands on work

16:30 – 17:00

- Wrap up, comments, questions, discussion

Day 2 training

Topics to cover: Hands on work with MFSA

9:30 – 11:00

- MFSA tool
 - Presenting the tool
 - Explaining the plan of the work
 - Split in four groups
 - Participants gets familiar with the input data

11:00 – 11:30

- Coffee Break

11:30 – 13:00

- Calculation of the General accounting framework (GAF) and Performance indicators of the MFSA
 - Current revenues and capital revenues
 - Gross and net margin – debt service
 - Bellow the line = sources of capital expenditures
 - Important notes
 - Performance indicators

13:00 – 14:00

- Lunch Break

14:00 – 15.30

- Projections and Action Plan
 - Projections
 - Action plan identified
 - The Key note speakers from each of the four groups make presentation

15:30 – 16:00 Discussion & wrap up

List of participants:

Evaluation:

Annex: MFSA

What is MFSA?

Over the years, the World Bank has developed a framework for several types of Local Governments Assessments and MFSA - The Municipal Finances Self-Assessment, is part of it. The main use of the MFSA is to assess a city's financial health and to identify specific actions to improve mobilization of local resources, public spending, public assets management and maintenance, investment programming and access to external financing (borrowing + donor funding).

How a Local Government can benefit from MFSA?

A local government going through the overall process of Municipal Finance Self-Assessment will gain:

- Analysis of its financial condition: the local government implementing MFSA will have made reviews of its municipal budgets (revenues and expenditures), assessment of its financial management practices, municipal savings capacity, potential increase of the investment efforts, financial projections for the next five years;
- Elaboration of a Municipal Finance Improvement Plan with key actions to be included under, how these actions will be implemented and by whom, what is the timeline for implementation and how much implementation will cost (if applicable);
- Improved presentation of the financial condition and plans of the local government in front of its stakeholders, the potential creditors and donors, etc. ;
- Improved strategic planning process as the solid municipal finance analysis and plan, and the knowledge of the potentials for savings and borrowing will provide better ground for developing other municipal development plans; and
- Benchmarking with other local governments through a set of simple and comparable key indicators/ratios.