

TOOLS THAT IMPROVE THE LOCAL GOVERNING- BUDGETING WITH PARTICIPATION. THE CASE OF THE MUNICIPALITY OF KAMZA - ALBANIA

Xhelal Mziu, PhD Candidate

Mayor of Kamza Municipality

Belinda Xarba, PhD Candidate

University “Eqrem Cabej”, Gjirokastra , Albania

Hidajet Shehu, PhD

Agro business and *Economic Faculty*, AUT Tirana

Abstract:

Participatory budgeting is an innovation that enables citizens to participate in decision making for management of all or some parts of the active resources of the municipality as the unit of local government. It aims to increase the level of transparency, accountability and social inclusion in local government.

Local Government budget is the main document of the municipality, which represents the costs for public services, investment and community priorities. Budgeting decisions define the quantity, quality, cost and services that fit local needs and priorities. Each year, groups representing business, domain experts and citizens are part of the preparation of the fiscal package, so taxpayers are informed about the level of local taxes and fees that will apply the following year and the manner of their use.

Experience has shown that participatory budgeting is important as a participatory mechanism, as it contains clear initiatives citizens, local government and local councilors. Moreover, participatory budgeting has produced tangible results, since it relates directly with existing resources rather abstract terms of development plans. Above all, participatory budgeting has built

the trust of citizens to local authorities for good governance, increasing transparency, accountability and legitimacy.

An innovation in Kamza Municipality in the recent years has been extra budget, which is powered by the good management of municipal funds. Among the main characteristics of participatory budgeting in municipalities is that citizens can participate directly and not need to be represented by an official entity, such as trade unions or NGOs.

Clearly, policy and planning is based on facts, allocation of resources according to needs, throwing new ideas, information and resources, risk management through an increased public vigilance, increased confidence in local governance and capacity building and citizenship.

Keywords: Budgeting, participatory budgeting, social budgeting, fiscal packages.

Kamza Municipality, a brief history

Since the beginning of our era, the area where the municipality of Kamza is located has been used as an agricultural land. Kamza was named in 1431 as such around 100 years later and might have taken this name by the *olives* ' sprouts growing in this area.

Following the Second World War and establishment of the communist regime in Albania, Kamza was transformed in a state farm which provided agricultural and stockbreeding products to the capital city, condition which lasted about 45 years.

After the establishment of democracy in Albania, Kamza suffered more profound democratic changes. In 1992 in Kamez registered 12,500 inhabitants. In 1996 with the decision of Council of Ministers, Kamza changing status by the rural administrative status, Commune in Municipality. This moment marks the creation of the institution: Kamza Municipality.

Political and demographic changes after 90-es in Albania, allowed a massive migration of citizens from all the country, towards principal cities. That phenomenon happened also with Kamza, where a lot of habitants from north and north-east of Albania were displaced to Kamza area. In 1991-2012 the population number was increased from 12 500 to over 92 000 habitants and the middle-ages of population are 27 aged.

The Municipality Council is elected once in four year time. The mandatory of the counsellor is valid from time when the counsellors make the juratory and sign that until when the next council comes in. This council has nine committees.

Among the most important decisions are: Regulation of Municipal Council, Inner Regulation of the Municipality, Giving the title "Honorary Citizen", Approval of Annual Budget, Approval of Annual Fiscal Package, Territories for public institutions, Approval of Strategic Development Plan for Kamza City, Approval of the Municipal Addressor, Approval of Twinning Agreements, Approval of added budget, Investment projects, etc.

One of the most important products and contributions that radically transformed the functions and service for citizens and business of Kamza City. "One Stop Shop", was implemented in Kamza Municipality one of the biggest projects of its kind implemented in Albania and Western Balkan. Establishment and functioning of a complex centre services in Kamza Municipality, brought significant improvement in serving to citizens and business, in Municipal Incomes growth, as well as in information, in transparency towards the citizens and in facilitations through simplifying procedures and shortening the time of service with more 35 wickets where are included in these centre.

Kamza Municipality has succeeded in successful collaborations with European Commission and OSCE, World Bank, IPA Programme, EU and KfW, GIZ, UNDP, USAID. Twinning with Macerata (Italy), Jena (Germany), Kemalpaşa (Turkey) and collaborations correspondence with the Albanian Municipalities, Communes and dozens of regional and European and World cities.

The main objectives and purpose of participatory budgeting

Improve the management of the public expenditure in terms of increasing the efficiency of their use, is formulated as the main objective of the budget in view of which, high commitment and responsibility of all units engaged in this process remains essential to its successful implementation.

Participatory Budgeting is one of the innovations, as a new financial practice, has enabled information and citizen participation in decision-making and budgeting but it has also helped to improve local governance, transparency, efficiency and accountability in budget execution.

Participatory Budgeting Process requires the engagement of the citizens in all phases of budget cycle, which can be categorized as follows:

- Identification of the capital investment and the projects to respond the most pressing social needs.

- Preparation of evaluation studies to support these projects.
- Prepare a proposed - budget to communicate the Municipal Council.
- Overseeing the budget approval process (review, discussion and voting).
- Monitoring of procurement (tendering, offers and contracting).
- Monitoring and evaluate the performance of the public works.

Budget priorities and its phases

Policies of the Kamza Municipality, have aimed at ongoing the economic growth of the area through:

- Increasing public investment in priority sectors such as public infrastructure, education, culture etc..
- Growth of the Incomes through increasing the effectiveness in their administration and management.
- Continuous implementation of the fiscal package to help the business community and taxpayers.
- Management and better management of the municipal assets
- Reform of the municipal administration in view of efficiency
- Cooperation with different organizations and financial institutions
- Creation of public - private partnership for the rapid development of the area.

Before to approval of the municipal budget, approved the fiscal package for the current year, to proceed further, after its approval, the indicators of income.

The fiscal package is the most important instrument of development area, which should:

- To consider expanding the tax base and the local taxes
- To aim the avoidance of the informality.
- To guarantee free and fair competition
- To stimulate further development of existing business and encourage new business development, primarily through encouraging the migrants to return with that their savings to open economic activity in the city of Kamza, because they already believe to the dynamics of their city development, absorbing the businesses to the local border units and from other cities of Albania, as well as its policy to absorb foreign businesses, where many of them have transferred

or have recently opened their activities in the city of Kamza (mainly in the form of *fason industry*).

So, the fiscal package is considered the most important instrument for business development, through which:

- Growth of the Incomes of municipality
- Increases in indirect the number of employees, through this policy, in the private sector

the number of employees has reached 6000.

- 1. Planning.** The planning begins in the months from January to February and ends in November, determines the resources that the municipality will be available next year.
- 2. Approval.** The mayor proposed the main directions of the policy of the local government unit and the draft budget to the Municipal Council. Municipal Council, by special decision, approves the incomes and the annual budgetary funds for local governments and their special funds, with the purpose, carrying costs for the exercise of functions which have and borrowing to finance the investment of the projects.
- 3. Execution.** For local governments the implementation of the budget is the competence of these units. The implementation of the budget conducted under the rules of the state budget.
- 4. Auditing.** Local government units are subject of internal audit without limitation, which in the Kamza Municipality is established and operates as an independent activity, which provides management for the effective use of funds and external audit (the High State Control).

The fiscal packages developed in collaboration with interest groups

Annually, the business representative groups, experts in the field as well as citizens are part of the preparation of the fiscal package, so taxpayers are informed about the level of local taxes that will apply the following year.

A real indicator is the number of businesses, since in 2006 to 2011 is increased from 600 to 1800 registered businesses.

| Years | 2004 | 2005 | 2006 | 2007 |
|---------------|------------|------------|------------|-------------|
| Incomes (ALL) | 63,474,000 | 73,051,000 | 88,247,000 | 103,450,000 |
| Growth in % | 588.26% | 498.03% | 395.05% | 322.30% |

| Years | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------|-------------|-------------|-------------|-------------|-------------|
| Incomes (ALL) | 191,774,906 | 207,869,560 | 282,606,031 | 311,102,071 | 436,867,000 |
| Growth in % | 127.80% | 110.16% | 54.59% | 40.43% | |

The incomes of Municipality have increased significantly, from 88.247 thousand ALL (Albanian leke) in 2006, in 436,867 thousand ALL in 2012.

Who are the factors that has influenced in the realization of the incomes?

Among the key factors are:

1. The competitive of fiscal package and policies for employment and growth revenue.
2. Creation of infrastructure for service to the citizens in general and business in particular, through the One Stop Shop, which has over 35 windows for municipal services, central government, mail, mobile phone, to a subsidiary of commercial bank
3. Creation of comprehensive data for address system of Kamza City, but also the completion of the necessary data has affected the quality of service and in identifying the citizens or businesses who have problems in paying taxes, water fees, tax payments -, land tax and other financial obligations or debts to the Municipality.
4. Investments for the creation of infrastructure, water supply and sanitation, electricity, telephone, internet etc, have contributed to revenue growth
5. Transparency demonstrated, especially in services, participatory investments, etc

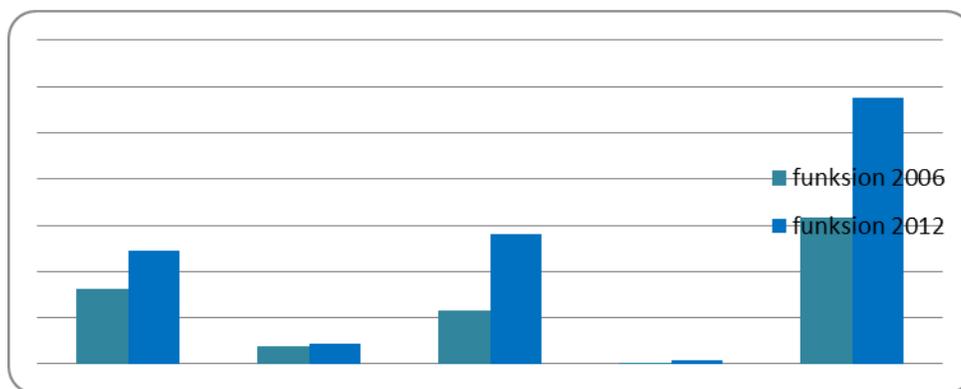
The projected income for 2012 are 40.43% higher than those in 2011 and compare with the incomes of 2006 are 4 times higher than the income of the years 1996-2007 combined together.

While the main challenges in the realization of income are:

1. Investments in the modernization of tax collection through various programs and software.
2. Increasing transparency in decision making regarding the deployment and use of local tax
3. Binding of local fiscal policies with development, for local sustainable development.

City staff has shown special care to establish an optimal ratio between personnel costs and total costs. Therefore, evident that the ratio of personnel expenses to occupy in total expenditure has declined over the years. Salaries, by 35.73% of total expenditure that were accounted in 2006, for 2012 are planned 17.25% of their total. Social Insurances, from 8.48% of total expenditure accounted for 2006, in 2012 are planned 3.6% of total expenditures. Operating expenses have been a substantial reduction of the municipal apparatus, going in favor of operational expenditure for education, sport and culture. Total operating expenses have increased, while municipal apparatus costs are reduced. Operating cost increases in education, from 4058 thousand ALL in 2006 spent for the year 2012 are planned 13,522 thousand ALL or 3 more times. Increased spending on sports, from 3085 thousand ALL spent in 2006, planned for 2012 are 25,890 thousand ALL or 8.4 times more.

Graphically, as follows:



In accordance with strategic and long term development plans of the municipality, there are oriented development projects and programs, are built collaborative bridges with donors to put them in life. There are established contacts with key representatives from politics, business, civil society etc., to build the platform and lobby on behalf of Kamza development.

Thus, through improved financial management and by putting into use the best practices of municipal financial management, reliability to Kamza is increased.

Capital expenditure (investments)

Participatory budgeting has been a co-managed process between state and non state actors. 6-year natural practice with Soros has influenced this process. Participatory Budgeting process has achieved its objectives, as this process involves all stakeholders, such as:

- Local civil society
- local government
- municipal council
- business community

The participation process is to target more vulnerable groups (as citizens with low incomes, women, youth, children and immigrants) who are directly involved in all stages of the participatory budgeting. Participation was voluntary and all stakeholders have equal opportunity to participate. Working groups set up by the municipality for the identification of projects throughout the territory, taking into consideration:

- profitability
- cost
- effectiveness (the cost/benefit report)
- geographical distribution

After having gathered information from stakeholders on participatory budgeting, there are compiled projects. Further proceedings launched their rank-tion, which are considered the technical, social, geographical, the cost/benefit report, etc.

Approval of the municipal budget in years.

| | Functioning ALL | Investments ALL | Total ALL | % investments | % functioning |
|-------------|----------------------------|----------------------------|----------------------|--------------------------|--------------------------|
| 2003 | 64,193,000 | 39,677,000 | 103,870,000 | 38.20% | 61.80% |
| 2004 | 93,504,000 | 58,516,000 | 152,020,000 | 38.49% | 61.51% |
| 2005 | 128,233,000 | 73,950,000 | 202,183,000 | 36.58% | 63.42% |
| 2006 | 158,196,320 | 67,521,175 | 225,717,495 | 29.91% | 70.09% |
| 2007 | 149,394,242 | 73,074,948 | 222,469,190 | 32.85% | 67.15% |
| 2008 | 179,227,287 | 125,009,017 | 304,236,304 | 41.09% | 58.91% |

| | | | | | |
|-------------|--------------------|--------------------|--------------------|---------------|---------------|
| 2009 | 223,670,525 | 354,187,511 | 577,858,036 | 61.29% | 38.71% |
| 2010 | 255,062,550 | 356,660,000 | 611,722,550 | 58.30% | 41.70% |
| 2011 | 264,153,921 | 360,006,850 | 624,160,771 | 57.68% | 42.32% |
| 2012 | 288,321,938 | 419,092,902 | 707,414,840 | 59.24% | 40.76% |

As seen in the previous table, the portion of the budget, which goes to capital expenditure (investment), including roads, sewers (municipal budget + conditional transfers) has increased. Thus, investments planned for 2012 are amounted to 419,073 thousand ALL, or 59.24% of total budget. In increasing value of the investments in the municipality has effected conditional transfers (for investment), a value which has been increasing due to competitive projects designed by the municipal staff.

Investments over the years (along with competitive grants).

| | Value (000/ALL) |
|----------------------|------------------------|
| 1998 | 2,949 |
| 1999 | 19,971 |
| 2000 | 9,172 |
| 2001 | 17,437 |
| 2002 | 56,112 |
| 2003 | 52,930 |
| 2004 | 61,214 |
| 2005 | 79,910 |
| 2006 | 93,958 |
| 2007 | 230,088 |
| 2008 | 260,734 |
| 2009 | 667,943 |
| 2010 | 746,824 |
| 2011 | 756,675 |
| Plan for 2012 | 1,000,000 |

One of the priorities of budgeting was social budgeting, which is realized by increasing the value of:

- Emergency Assistance, which in 2011 is spent 5,987 thousand ALL from 700 thousand ALL spent in 2006.
- Award for outstanding students and orphaned children, which in 2011 spent 2,700 thousand, while for the first time been given such an award in 2007. Also planned funding for talent in various lessons and activities

The municipal budget includes a reserve fund and a "contingency" or earnings, which is approved by City Council in the decision of the annual budget, to the extent 3% of the total approved funds, excluding conditional transfers. Reserve fund created to finance expenditures not permanent and contingency in the budget preparation stage. For 2012 is planned in the value 8000 thousand ALL, within the legal limit. While the contingency fund, the fund's earnings, established to cover potential risks to the revenues and the expenditure during budget implementation planned for 2012 is 10,000 thousand ALL, within the legal limit.

A Kamza innovation in recent years has been the supplementary budget, which is powered by the good management of municipal funds as:

- Savings from public procurement procedures, which limited difference between the fund and the contract value was high (10-15% of the fund limit) and this value of "saving" has gone 100% for investments.
- Savings in salaries and social insurances
- Savings in operating costs, primarily the municipal apparatus

Among the main characteristics of participatory budgeting in municipality we note that citizens can participate directly and not need to be represented by an official entity, such as, for example, unions or NGOs. Although these organizations have played an important role in the process, they have no formal privileges. Each stakeholder in participatory budgeting has played its role:

The role of citizens is that they communicate their needs for goods and services needed. Citizens discuss these needs with other community members and local authorities, reach a

consensus and decide on their priorities. Citizens also contribute to establish rules and procedures that guide the process of participatory budgeting.

Local government is responsible for overall management. The local government has provided citizens with information about participatory budget process and budget. Local government has also organized public meetings. Based on the results of these meetings, analyzed citizen investment priorities and ensure that final proposals on participatory budgeting are included in the budget document, which is sent for approval to City Council. At the beginning of the budget process, municipal specialists do trainings with citizens and civil society in participatory budgeting process and establish "procedures". These procedures govern the participatory budgeting process and are respected by all stakeholders. Local government also planned participatory budgeting processes in different geographical areas and has become an effective geographic division of areas to ensure a wide coverage of participatory budgeting activities.

City Council's role is to discuss and approve the budget. Once City Council has approved the budget, the municipality co-manages with the citizens the implementation of the budget. City Council also played the role of supervisors through committees set up by his side. State and non state actors have different motivations for public expenditure management. Members of the business community also benefit from participatory budgeting, as their local taxes are used more efficiently. Business groups see their interests to participate in lobbying for specific development that lead to improvement. A business association of the neighborhood might want to pave local roads or shine, eg Business groups generally organize their members to ensure that their needs are taken into account in the participatory budgeting.

Experience has shown that participatory budgeting is important as a participatory mechanism, because it contains clear incentives for citizens, local government and local councilors. Moreover, participatory budgeting has produced tangible results, being directly linked to existing resources rather abstract term development plans. Above all, participatory budgeting has built the trust of citizens to local authorities for good governance, increasing transparency, accountability and legitimacy.

Clearly, policy and planning is based on facts, allocation of resources according to needs, throwing new ideas, information and resources, risk management through an increased public vigilance, increased confidence in local governance and capacity building and citizenship.

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