



Urban Research Institute

COMPARATIVE STUDY - “BUDGET MANAGEMENT AND FISCAL CAPACITY”, COMMUNES FROM KORCA REGION

This study is part of a project for the budget analyze and financial management that was financed and implemented by the Swedish organizations: SIDA and SIPU International for 9 pilot communes in Korca Region. The communes included in this project were: Proger, Qender-Bilisht, Bulgarec, Voskop, Voskopoje, Mollas, Liqenas, Hudenisht, and Proptisht.

This project offered technical assistance in three different components:

1. Technical assistance on using new techniques and ways on budgeting system, to calculate the tax collection
2. Technical assistance on preparing, implementing and monitoring the local budget for year 2005, and for medium term 2005 - 2007
3. Support on strengthening democratic process related to local finance management.

This study is part of the second component of this project and it's related to "Preparation, implementation and monitoring the local budget for year 2005, and for medium term 2005 – 2007". Anyhow, in this study are included other elements that are related to local finances well management and monitoring.

Study content and structure

The study includes five main chapters as well as some tables in the annexes:

Chapter I: Analyze of the communes revenue evolution in Korca Region

The analyze for the pilot communes starts with a thorough analyze for the revenue sources for years 2002-2004 and the main factors that affect their proportions.

Chapter II: Analyze of the communes expenditures evolution

The budget analyze for the communes in Korca region for year 2002 – 2004 is concentrated in three key topics: the analyze of the expenditures dynamic and the interrelation between operational expenses and capital investment expenses; expenditures analyze according to various functions and activities that different LG implement and according to their financial sources; and operational expenses analyze according to their main items and categories.

Chapter III: Detailed forecast for the local revenues for year,2005, and 2005-2007

In this section, we are concentrated on detailed and analytic planning of the budget revenues based on the authority that the law and administrative procedures gives LG for local taxes and fees system. Because of the need to analyze and forecast their own revenues beside the spreadsheet model for the budget, are used some forms and tables that help on the detailed calculation of the revenues from the local taxes and fees; revenues from the small businesses; as well as the revenues from the agricultural land and their fiscal capacity. Based on the collected data, some key indicators have been calculated on using their own revenues sources, and these serve for the comparisons and identification of the best practices between different communes, such as: fiscal weight or contribution per capita from the local taxes and fees payment; fiscal weight or contribution per small business; and fiscal weight or contribution per household from the agricultural land.

Chapter IV: Advanced methods for forecasting and monitoring the local expenditure for year 2005, 2005-2007

Considering the simple budget of the revenues for the communes in Korca region, and the tight structure of the expenditures, in this chapter is discussed the expenditures planning and monitoring through new advanced methods. In these new methods the LG not only forecast and control the expenditures according to the items and categories but they plan and monitor these expenditures according to the functions and services that these communes offer as well as the performance management for some of these services.

Chapter V: Independent Capital Investment Budget

This chapter describes the budgeting for the capital investment, e.g. those investment projects that will be financed totally by own revenues. For these reason, in this chapter is described the calculation method for the unconditional funds for the investments on the planned year and in medium term, 3 years, there are some selection criteria for the priority projects for investments as well as techniques for balancing the needs for investments with unconditional funds.