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LOCAL GOVERNMENT
LG DA
DECENTRALIZATION IN ALBANIA

Sunshine Budgets

& Democracy and Governance in Albania
& Local Government and Decentralization in Albania

Democracy and Governance in Albania
Civil Forum
&
Local Government and Decentralization
in Albania Project

Sunshine Budgets Awards

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DEMOCRACY AND GOVERNANCE IN ALBANIA

CIVIC FORUM

The National Democratic Institute for International Affairs (NDI), Partners for Democratic Change (Partners-Albania), and the International Research and Exchanges Board (IREX), are the Democracy and Governance in Albania Consortium. The challenge before Albania is to address corruption and to create a political mentality of openness, participation, and transparency. To accomplish this, citizens must be organized to shift the focus of leaders and officials away from securing private gain towards better serving the public interest. Building on its experience in Albania and ready with fresh ideas, the DGA Consortium works with international and Albanian colleagues in pursuit of this goal. Through the support of the U.S. Agency for International Development (USAID), the DGA Consortium helps civic groups open the doors to local government through advocacy and watchdog efforts, citizen advisory boards and public meetings.

Civic Forum

Until citizens have access to timely and accurate information to understand the economic and social costs of corruption, democracy will not thrive in Albania. Citizens must learn to join their ideas and voices through issue advocacy and government monitoring initiatives. They must learn to make clear proposals for responsive government and hold their elected leaders fully accountable. Citizens must participate in fair election processes and through representative and transparent political parties, to reward or punish political leaders based on past records and future agendas.

NDI engages citizens in Shkoder and Vlore districts through its Civic Forum program to build citizen knowledge, skills and ability to participate, to advocate, and to hold government officials accountable. Once citizens understand the basic principles of democracy, they learn advocacy and monitoring methods. Through these means, citizens are able to play their part actively and effectively.

Local Government and Decentralization in Albania Project

LGDA

LGDA is the new USAID-funded 3-year initiative to promote decentralization, develop additional capacity in local governments and combat corruption in Albania. It involves promoting decentralization by enhancing the legal and regulatory framework in order to increase authority and fiscal autonomy of local governments, so they can provide efficient and effective service delivery. The project also works directly with local governments through targeted training and technical assistance that results in improving local service delivery, based on priorities and budgets developed in response to citizen preferences. Some of the local services focused on for improvement include: water, wastewater, garbage collection and disposal, street cleaning, educational facilities and roads. LGDA also seeks to reduce corruption and increase opportunities for citizen participation in local governance.

LGDA will provide intensive work in target cities. By the end of the project LGDA hopes to have 48 target cities. LGDA also has a program designed to assist non-pilot cities as well. Thus, all municipalities have the

opportunity to benefit from the program's technical assistance.

LGDA will conduct most of its technical assistance to municipalities from regional offices located in Fier, Pogradec, Gjirokastra and Shkodra. Virtually all LGDA program staff will operate from these regional offices. This will allow LGDA to spend maximum time and effort in direct assistance to cities around Albania.

Award Criteria

1. Budget Process

Criterion: Before starting the budget process each year, the City Council should approve a budget calendar and narrative description that provides the complete detailed schedule for preparing, reviewing and adopting the budget. It should include all possible points of participation by the public. The City should widely disseminate this information to the community.

Rationale: Citizens must know how the budget process will work and when different activities will occur. This allows them to participate with maximum effectiveness, if they so desire. A simple and easy to read budget calendar provides good transparency for the budget process.

2. Posting local budget hearings to inform citizens during the process

Criterion: Verifiable action taken by local councils to notify the public of the date(s), time(s), and location(s) of meetings at which local budgets are discussed.

Rationale: The organic law on the Organization and Function of Local Government (Nr. 8652, date 31.7.2000) gives citizens the right to join discussions about local budget and much more. According to that law, local governments are obligated to seek citizen input three times between March and August of any budget year. In March, at the start of budget creation, local officials must speak with citizens to identified shared priorities. Around June, the local government must return to the citizens with its initial plans. And finally, toward August, the local government must go back to the citizens to present the plan it intends to send to the central government.

3. Outreach efforts made to solicit citizens' priorities for local budget

Criterion: Number and type of constituent outreach efforts to help set local budget priorities

Rationale: Do local officials limit their public engagement of citizens regarding budget priorities to local council

meetings (in Criterion #1) or are other means and measures taken to generate greater participation?

4. Revenue diversity of local budget

Criterion: The variety of taxes and tariffs used by local officials from which they will generate income locally.

Rationale: Local governments have 24 taxes and tariffs available to them to generate local revenue. To what extent are local officials thinking about and incorporating these mechanisms to build greater local self-sufficiency?

5. Citizens' priorities incorporated into *draft* local budget (Aug)

Criterion: Correlation of ideas and priorities emerging from community outreach and citizen participation to set priorities to those items identified and funded in the draft budget.

Rationale: While some local officials may already have favored methods of communicating with citizens, dialogue does not always translate into action. Monitoring the degree to which the priorities identified by citizens are actually incorporated into the draft budget provides a clearer indication that their views and concerns are both heard and responded to.

6. Citizens' priorities incorporated into *final* local budget (Jan)

Criterion: Correlation of ideas and priorities emerging from community outreach and citizen participation that were reflected in draft budget that have been retained in final budget.

Rationale: This criterion measures the extent to which community priorities as expressed by citizens were defended through the budget review process sufficiently to have survived the final vetting at the national level. The criterion serves as a proxy to the degree to which local officials protect the interest of citizens' priorities.

7. Access and openness to final approval discussions

Criterion: The manner and degree to which community citizens are notified of and included in the local council meetings during which local budgets are reviewed and approved once those budgets have been received from the national government.

Rationale: The right to be informed of official documents is enshrined in the Constitution of the Republic of Albania, Article 23: The right of information is guaranteed. The Law on the Right for Information on Official Documents (No. 8503, date 30.6.1999) says in the second paragraph that a public official "is obligated to give every

information in connection with an official document, as long as where not prohibited by other laws."

8. Budget Content

Criterion: The budget should provide a comprehensive look at the financial and operational aspects of the local government's finances. It should at a minimum include:

- All sources of revenues and expenditures, including joint ventures, quasi-governmental entities in which they have an interest, secondary operations, business interests, etc.
- A summary of major revenues and expenditures and a description of underlying assumptions and significant trends
- Summary of personnel and position counts for each department and a description of any significant changes I staffing levels or reorganization of responsibilities

Rationale: This criterion seeks to ensure that a local government provides comprehensive information in order to make it possible to fully understand the financial position of the local government. Many local governments are tempted to keep certain funding sources or expenditures –not directly under the local government- off the budget. This might include the water operation, business ventures, etc. This practice diminishes transparency related to financial management and results

in citizens and decision-makers not having an accurate picture of the financial position of the local government.

9. Budget Readability

Criterion: Local governments should prepare the budget in a way that citizens can clearly understand. At a minimum it should include the following elements to facilitate citizen understanding:

- Table of Contents
- A budget message from the Mayor articulating the priorities and issues facing the local government in the budget (and how they differ from previous years)
- A description of the complete process for preparing, reviewing and adopting the budget. It should also include the procedures for amending the budget after approved.
- It should describe the activities, services and functions carried out by all organizational units receiving funding, as well as the goals and objectives for each in the budget year.
- It should use charts and graphs to more simply convey information

Rationale: The intent of this criterion is to encourage budget documents that allow citizens to quickly grasp the major budgetary issues, trends and choices addressed in the

budget. The criterion further encourages creative and innovative efforts to communicate effectively with citizens about how the local government intends to raise revenue and spend that money, and what are their service priorities and planned accomplishments. By combining numbers, tables and narrative the budget document becomes a easily readable comprehensive document for citizens and decision-makers.

10. Correspondence disbursements to approved budget

Criterion: *The degree to which budget allocations and expenditures are consistent with the sums and allocations of the final and approved budget.*

Rationale: This criterion requires tracking and assessment throughout the budget process as well as requiring publicizing the results of that monitoring and analysis. This criterion then demands a high degree of reflection as well as greater openness and access to information by the public.

11. Public review of and outreach efforts during budget disbursement

Criterion: Correlating to Criterion #8, the manner and the degree to which budget tracking and analysis is made *public, to whom, when, etc.*
Rationale: In addition to linking with Criterion #8, this criterion will serve as a counterpoint to Criterion #2

above that relates to constituent outreach efforts during the process of budget formulation.

12. Perception of conflict of interest during the budget process

Criterion: Frequency and documentation of budget planning, allocation, or disbursement that is said to be based on political party affiliation, personal association, or other relationship in violation with the Law on Conflict of Interest.

Rationale: Resource allocation often comes with claims of preferential treatment based on a relationship or for one political party over another. This is as true at the local level as at the national level.

Principles and laws tested through these criteria:

- Implementation of Organic Law 8652
- Implementation of new Law on COI
- Knowledge of budget formula
- Knowledge and use of taxes and tariffs
- FOIA
- Distinguishing partisan actors from civil servants
- Balance of local executive and legislative branches of government
- Quality and extent of citizen participation
- Local authorities' communication systems
- Responsiveness of local government