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# gap | index

## Municipal budget transparency index



# GAP MUNICIPAL BUDGET TRANSPARENCY INDEX 2017

## Introduction

Full budget transparency for all revenues and expenditures of budget organizations of the Republic of Kosovo is one of the main preconditions for accountability and one of the ways to prevent mismanagement with public money. Increased budget transparency also affects civic involvement in the budget process and can may lead to higher municipal revenues.<sup>1</sup> The purpose of this analysis is to review both the legislation and the existing situation regarding budget transparency at the local level. To this end, we have compiled a municipal budget transparency index based on which we have ranked municipalities depending on the number of published documents, budget hearings with citizens and replies to the requests of GAP Institute for access to budget documents. In addition to the budget transparency assessment, this analysis includes data from a survey conducted with citizens regarding their knowledge of the local budget.

Based on the findings of this analysis, laws of the Republic of Kosovo provide a sound basis for budget transparency at the local level; however, this legal basis should be further advanced. A remaining challenge is compliance with the legal obligation to publish documents, as well as access to budget documents through requests. Index results show a moderate level of municipal budget transparency. A remaining concern is the fact that over half of the municipalities failed to publish all their budget reports on their

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<sup>1</sup> World Bank, "Budget Transparency: What, Why, and How?", Source: <http://bit.ly/2hFNJ6N>

websites or failed to reply to the request of GAP Institute for access to one or more budget documents that they are required to publish.

Another issue is the low level of knowledge of citizens regarding local budget processes and low participation in budget hearings. Most citizens did not participate in any public gathering organized by the municipality in the last 12 months, while half are not informed that the municipality has an obligation to organize public hearings with citizens regarding the budget. Reasons for citizens lack of participation in public hearings are belief that institutions will not take action on the demand, as well as the lack of effective communication with citizens by municipalities.

This analysis, in addition to assessing the legal basis and its implementation in practice, provides a number of recommendations regarding the improvement of the level of budget transparency in municipalities.

## Methodology

To standardize budget transparency in municipalities, GAP Institute compiled an index of 100 points regarding publication of budget documents and organizing budget hearings. The number of points for a document is equal for all municipalities and the points are determined according to GAP Institute's judgment based on the weight these documents have in enhancing budget transparency. For example, compared to other documents included in the index, the "Analytical Accounts Card" was given the highest number of points, as it is the most detailed document regarding the municipal budget.

**TABLE 1:** SCORING OF MUNICIPALITIES REGARDING THEIR PUBLICATION OF DOCUMENTS ACCORDING TO GAP

Document	Score			
	Excel	PDF	Scanned	Request
Financial Report Q1 for 2016	5	3.5	2.5	1.5
Financial Report Q2 for 2016	5	3.5	2.5	1.5
Financial Report Q3 for 2016	5	3.5	2.5	1.5
Annual financial report for 2016	15	10.5	7.5	4.5
Planned budget for 2017	5	3.5	2.5	1.5
Mid-Term Budgetary Framework 2017-2019	10	7	5	3
Regulation of allocation of subsidies	5	5	5	1.5
List of subsidy beneficiaries for 2016	10	7	5	5
Analytical Accounts Card for budget expenditures for 2016	20	14	10	10
Budget hearings with citizens on the 2017 Budget (1)	5	5	5	5
Budget hearings with citizens on the 2017 Budget (2)	5	5	5	5
Budget hearings with citizens on the 2017 Budget (3)	5	5	5	5
Budget hearings with citizens on the 2017 Budget (4)	5	5	5	5
<b>Total</b>	<b>100</b>	<b>67.5</b>	<b>52.5</b>	<b>50</b>

In addition to the subsidy allocation regulation, all documents published in machiner-readable formats, such as Microsoft Excel, are scored with maximum points. Documents published in PDF format are scored with 30% fewer points, while publication of scanned documents is scored with 50% less points. In case a document is not published on the municipality's official website, but the municipality has responded to our request, we give a score of 70% less points. An exception to the deduction of 70% points for the documents delivered upon request are the Analytical Accounts Card and the list of beneficiaries of subsidies - as they do not constitute a legal obligation by the Ministry of Local Government Administration (MLGA).

Also, as this index does not assess the quality of published documents, even if the Analytical Accounts Card isn't published in full, we score maximum points if it is published in Excel. Thus, a municipality can get maximum points only if it has published all documents in Excel format, and has organized at least four budget hearings.

Data collection for publication of documents is done by requesting municipalities to complete a document, indicating the links to the documents published on the municipal website. The request was sent to the official e-mail of the municipality's public communication office in August, while the monitoring of the municipal websites by GAP Institute was conducted in July. Four municipalities provided evidence that due to issues with MLGA, the official website was not operational.<sup>2</sup> For these reasons, the four municipalities have been removed from the assessment and are not listed in the budget transparency index. For municipalities that failed to respond to our request, the index scoring was based on the information we managed to find on their websites. In principle, if a document is not found on the municipal site after three clicks, then it is not taken into account in the scoring.

## The legal basis for municipal budget transparency

The right of citizens to access public documents is guaranteed by the Constitution of Kosovo. According to the Constitution, documents held by state institutions should be public, with the exception of secret information, classified security information and those infringing privacy.<sup>3</sup> In addition to the Constitution, the Law on Access to Public Documents regulates in more detail the issue of requests by natural and legal persons for access to public documents or information.<sup>4</sup> All public institutions must have official web

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<sup>2</sup> These municipalities include: Gjakova, Hani i Elezit, Ferizaj and Klina

<sup>3</sup> Constitution of Kosovo, Article 41, Source: <http://bit.ly/2xmK8jm>

<sup>4</sup> Law No. 03/I-215 on access to public documents, Source: <http://bit.ly/2xmsnkb>

pages, updated with accurate information and which are easily accessible by the public.<sup>5</sup>

According to the Administrative Instruction of the Ministry of Local Government Administration (MLGA) on municipal transparency, all municipal assembly documents shall be accessible to the public, including publication on the official website.<sup>6</sup> Regarding the budget, municipalities have the duty to publish the following documents: 1) budget plan and investment plans; 2) three monthly expenditure reports; 3) medium-term budgetary framework (MTBF); 4) summary report of the municipal budget for the previous fiscal year; and 5) the Auditor General's report on the budget for the previous fiscal year. In order to facilitate the provision of information to citizens, the links of documents published on the municipal website should be categorized.<sup>7</sup> The Law on Public Financial Management and Accountability (LPFMA) makes the mayors responsible for publishing quarterly financial reports, which should be published on the municipal website 30 days after the end of the quarter.<sup>8</sup>

Neither law regulating public finances mentions that the budget should be drafted and published for citizens. This simplified form of budget publication is done in order for citizens to better understand the budget and thus enhance their involvement in budget processes.<sup>9</sup>

According to the Law on Local Self-Government, the Municipal Assembly issues municipal regulations that enhance transparency by encouraging citizen participation in decision-making and also ensuring access to official documents. Also, according to the same law, all people can review documents kept by the municipality, except for documents prohibited by the Law on Access to Official Documents.<sup>10</sup>

According to the Law on Public Financial Management and Accountability, the Municipal Assembly is obliged to hold public budget hearings, in accordance with municipal acts.<sup>11</sup> The MLGA Administrative Instruction on Transparency in Municipalities stipulates that municipalities, in addition to the obligation to hold at least two public hearings per year, should hold additional public

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<sup>5</sup> Ministry of Public Administration, Administrative Instruction No. 01/2015 on websites of public institutions, Source: <http://bit.ly/2fkëkfC>

<sup>6</sup> Ministry of Local Governance Administration (MLGA). Administrative Instruction No. 01/2015 on municipal transparency, Article 4, Source: <http://bit.ly/2fkëkfC>

<sup>7</sup> Ibid, Article 12

<sup>8</sup> Law on Public Financial Management and Accountability, Article 45, Source: <http://bit.ly/2h3BfRĚ>

<sup>9</sup> To learn more about the budget of citizens please see the International Budget Partnership website: <http://bit.ly/2vpQsni>

<sup>10</sup> Law No. 03 /L-040 on Local Self-Government, Article 68, Source: <http://bit.ly/2f6Yuh4>

<sup>11</sup> Law on Public Financial Management and Accountability, Article 61.2

meetings on the budget and on other municipal issues.<sup>12</sup> Requests made in such meetings should be evidenced by the municipal assembly within 15 days.

During the preparation of the municipal budget, the Law on Public Financial Management and Accountability does not impose any obligation to the mayor to hold public hearings. However, in some cases, budget circulars drafted by the Ministry of Finance (MF) oblige the mayor to review the budget with citizens. With the municipal budget circular 2016, MF specifically requested the following three municipal bodies to hold public budget meetings: a) Municipal Policy and Finance Committee; 2) Chairman and Chief Financial Officer along with other municipal directorates; and 3) Municipal Assembly.

In addition to the obligation to publish these documents, municipalities are obliged to annually approve the municipal transparency plan. This plan should also regulate issues of monitoring and enforcement of public finance and procurement management acts.<sup>13</sup>

## Awareness and participation of citizens in the budget process

To measure citizens' awareness on the local budget, GAP Institute conducted a survey in 38 municipalities of Kosovo, using the quantitative research method.<sup>14</sup> Under this survey, 1000 Kosovo citizens aged over 18 - 750 Albanians, 150 Serbs and 100 members of other communities were surveyed. The sample was then weighed to reflect the ethnic structure in Kosovo. The survey was conducted by UBO Consulting from 14 to 25 January 2017.

According to this research by GAP Institute, one-third (1/3) of Kosovo's citizens lack basic knowledge about municipality's own source revenues. For example, about 33% think that personal income tax contributes directly to municipal revenues, whereas 22% of citizens believe that the pension trust also contributes therein.<sup>15</sup> The low level of awareness regarding municipal

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<sup>12</sup> Ministry of Local Governance Administration (MLGA). Administrative Instruction No. 01/2015 on municipal transparency, Article 6

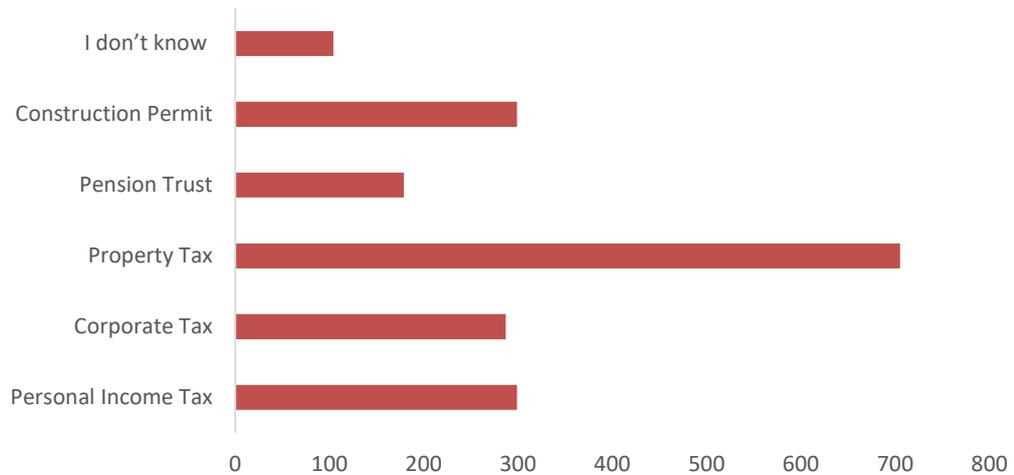
<sup>13</sup> Ministry of Local Governance Administration (MLGA). 01/2015 on municipal transparency, Article 11

<sup>14</sup> To determine the sample in this research, a "stratified random sampling" technique was used, where the general population is divided into smaller groups known as strata, based on the common characteristics of members of these strata.

<sup>15</sup> GAP Institute, Unpublished results from a survey conducted with 1,000 citizens in 38 municipalities in Kosovo

revenues may partially explain the low level of own source revenues generated by municipalities.

**FIGURE 1: WHICH CITIZENS' PAYMENTS CONTRIBUTE DIRECTLY TO INCREASED MUNICIPAL BUDGET?**



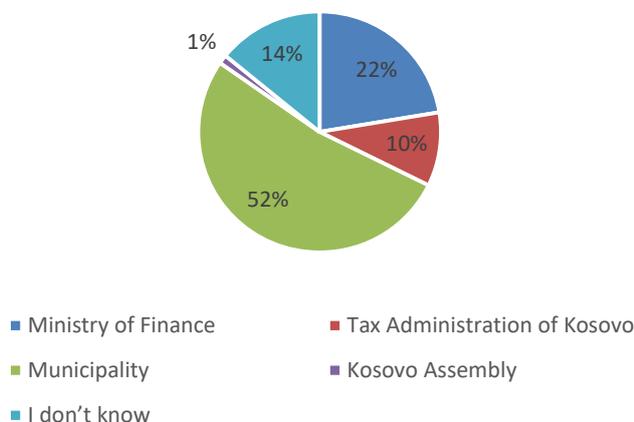
Looking at respondents' replies broken down by their level of education, we see that citizens with higher levels of education, bachelor or more, are more informed about the sources of municipal revenues. In addition, citizens living in urban areas (74%) are more aware that property tax is a direct income in municipal budgets compared to those living in rural areas (67%). However, no major difference has been noted regarding the information that construction permits are an own source revenue for municipalities. As far as ethnicity is concerned, Albanians are more aware that construction permits constitute an own source revenue (84%) compared to other ethnic minorities (72%). Finally, gender plays a role in the level of information, as in both questions a higher percentage of men were more informed regarding municipal own source revenues than women.

According to an MLGA report, in 2016 in only 45% of cases did municipal assemblies consult with the public when adopting municipal acts, whereas for the Mid-Term Budgetary Framework and the municipal budget, the public was consulted in 96% of cases. On the other hand, according to the GAP Institute survey, only 52% of citizens are informed that municipalities have a duty to organize budget hearings on the municipal budget, while 81% of citizens have stated that in the last 12 months they didn't participate in any public gathering organized by the municipality.<sup>16</sup> Reasons for non-

<sup>16</sup> GAP Institute, Unpublished results from a survey conducted with 1,000 citizens in 38 municipalities in Kosovo

participation of citizens in public hearings are the lack of interest and the belief that their suggestions will not be taken into account.<sup>17</sup>

**FIGURE 2:** WHO IS TASKED TO ORGANIZE BUDGET HEARINGS WITH CITIZENS?



Responses of respondents by gender indicate that men (56%) are more informed that the municipality should organize budget hearings, compared to women (47%). Regarding the level of education, 63% of respondents with a bachelor degree have the aforementioned information, compared to about 50% of those with secondary education. In terms of age, 61% of respondents over 55 years old are informed that the municipality has a duty to organize budget hearings, compared to only 48% of those aged between 18 and 24. Finally, people who receive their information through local radio or television are more informed about the obligation of municipalities to organize budget hearings compared to those who are informed by national television or radio.

## Municipal Budget Transparency Index

Index results show a moderate level of municipal budget transparency. Out of 34 municipalities assessed, nearly half scored over 50 points in the index.<sup>18</sup> Nevertheless, the fact remains that 21 municipalities (62%) have made no publication in their websites or failed to provide official documents upon the request of GAP Institute, of one or more documents that are required to be published and made accessible to citizens. In most cases, these municipalities failed to publish any of the quarterly financial reports, the summary report of the 2016 budget and, in rarer cases, other documents.

<sup>17</sup> Riinvest Institute, Guideline Paper - Budget Transparency and Citizens' Budget, Source: <http://bit.ly/2vAE59L>

<sup>18</sup> As mentioned above, municipalities of Ferizaj, Klina, Gjakova and Hani i Elezit were not included in the index since they do not have an operational website.

The three municipalities with the best performance in the GAP Institute's budget transparency index are Istog with 86 points, Prizren with 77.5 points and Drenas with 75.5 points (Figure 1). The Municipality of Istog has the largest number of documents published in MS Excel format, which allows easy use of budget data by citizens. Whereas the Municipality of Prizren is the only municipality to publish online all documents that make up the index in question. However, in spite of this fact, Prizren ranks second since the format in which documents are published (PDF) awards fewer points, as explained in methodology section. The municipality of Drenas, from the list of documents required to be published, only failed to publish the planned budget for 2017. However, this document as well as others requested by us, were sent to us by Drenas via email.

Meanwhile, the three municipalities ranked last in the local budget transparency index, from the municipalities that scored at least one point, are Novobërda with 7.5, Partesh with 17.5, and Klllokot with 20 points (Figure 1). These municipalities, from the documents included in the index, failed to publish more than three documents.

Novobërdo Municipality has published two financial reports, the first and second quarter 2016 report in a scanned format and the regulation for the award of scholarships, but not the allocation of subsidies one. In addition to a significant number of documents unpublished by the Municipality of Novobërdë, there were no announcements or information issued to hold budget hearings with citizens on the 2017 budget. Partesh municipality has only published the 2016 Annual Financial Report in a scanned format and the regulation on the allocation of subsidies. As for budget hearings with citizens on the 2017 budget, Partesh municipality announced only one budget hearing on its official web site. Whereas the Klllokot municipality only published the Medium-Term Budget Framework 2017-2019 in a scanned format, and has issued notifications on three public meetings on the budget for the 2017 budget.

Municipalities including Leposavic, Zubin Potok, Mitrovica North and Zvecan have a zero score since they have not published any document on their websites, which are mostly non-operational, and have also failed to send any of the documents we requested.<sup>19</sup>

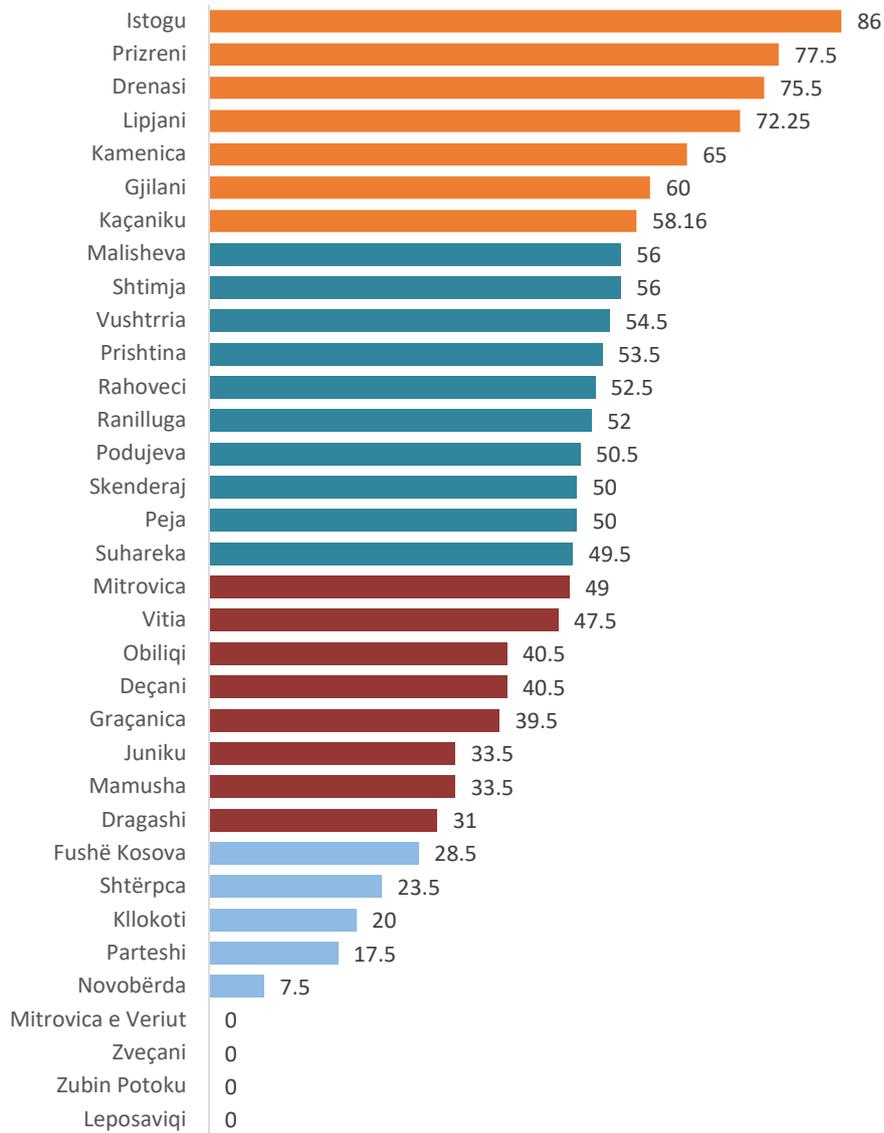
Regarding the documents containing detailed budget data, but which the municipalities are not obliged to publish, such as the "Analytical Accounts Card", they are fairly inaccessible by citizens. Only the Municipality of Prizren published the analytical accounts card, however only with partial data. Upon

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<sup>19</sup> For comparison, all four removed municipalities from the index, Ferizaj, Gjakova, Hani i Elezit and Klina, sent most of the requested documents via email, despite the fact that their website was not operational.

request, the document was only sent to us by Deçan, Drenas, Istog, Kaçanik and Vitia municipalities. In terms of the subsidy beneficiary lists, around 33% of municipalities failed to publish them in websites or send them upon request. Moreover, there are cases when lists published on websites are of only one directorate, such as the education directorate on scholarship beneficiaries.

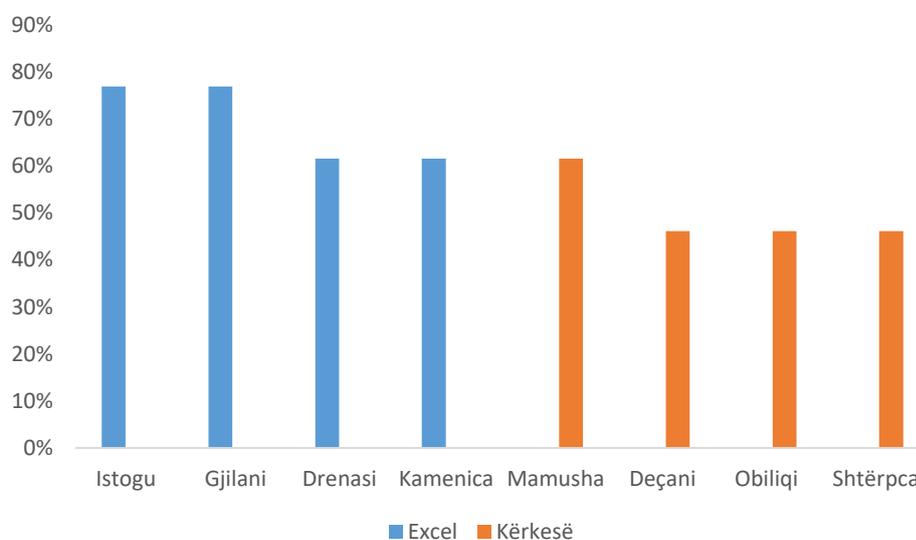
**FIGURE 3: MUNICIPAL BUDGET TRANSPARENCY INDEX**



For the compilation of the Municipal Budget Transparency Index, a total of 285 documents were analyzed. Of these, 35% were in MS Excel, 21% in PDF, 30% scanned, and 14% were sent upon request. The two municipalities with the largest number of documents in MS Excel format in their websites are Istog (77%) and Gjilan (77%). Meanwhile, most municipalities that submitted

most the highest number of documents upon request are Mamusha (62%), Deçani (46%), Obiliqi (46%) and Shtërpca (46%) (Figure 2).

**FIGURE 4:** MUNICIPALITIES WITH THE LARGEST PERCENTAGE OF DOCUMENTS PUBLISHED IN WEBSITES IN MS EXCEL AND THOSE WITH THE HIGHEST PERCENTAGE OF DOCUMENTS SENT UPON REQUEST



The annual financial report for 2016 is the document made accessible by the highest number of municipalities. Other data on the index documents indicate that a total of 25 municipalities have published on their websites or have submitted upon request the financial report of the first quarter, and also 25 municipalities published on their websites, or sent them upon request the financial report of the second quarter. Meanwhile, a good municipal transparency was noted with the publication of lists of subsidy beneficiaries, where 67% made such lists accessible. In terms of budget hearings, a total of 87 were held in 2016 (Table 1). There are only seven municipalities that did not issue notices on their websites on budget hearings, or failed to respond to our request.<sup>20</sup>

<sup>20</sup> Three, if we do not count municipalities that failed to both include notices in websites and did not respond to our request

**TABLE 2:** STATISTICS ON INDEX DOCUMENTS

	Excel	PDF	Scanned	Request	Number of municipalities
	<b>Number of documents</b>				
Financial Report Q1 for 2016	5	6	10	4	25
Financial Report Q2 for 2016	5	7	9	4	25
Financial Report Q3 for 2017	8	6	5	4	23
Annual financial report for 2016	7	5	10	5	27
Planned budget for 2017	7	7	5	5	24
Mid-Term Budgetary Framework 2017-2019	3	6	11	2	22
Regulation of allocation of subsidies	2	3	17	1	23
List of subsidy beneficiaries for 2016	2	6	8	7	23
Analytical Accounts Card for budget expenditures for 2016	0	1	0	5	6
Budget hearings with citizens on the 2017 Budget	61	14	12	4	91 b. hearings

## Conclusions and recommendations

This report reviewed the legislation on budget transparency at the local level in Kosovo and made an assessment of the state of the budget transparency at the local level. Based on our index, municipalities have a moderate level of budget transparency. However, it is worrying that during our research we failed to gain access to a number of budget documents, which according to the applicable legislation require municipalities to have them published in the official websites.

The current legislation regulates the basis of requirements for publication of key documents in the budget process and the organization of budget hearings with citizens. However, not all municipalities observe such legal requirements regarding the publication of documents or compliance with the Law on Access to Public Documents. In most municipal websites budget documents are difficult to access and are not categorized. There are times when, for example, the Mid-Term Budget Framework is only placed with the municipal assembly decisions or when other budget documents are placed in the category of reports rather than the category of budget or financial statements. In rare cases, budget documents are only available on the municipal finance directorate website link.

The legal basis should be further advanced with additional requirements, which require the publication of more detailed documents on revenues and expenditures, including in a machine readable format. Of the 285 documents that were part of the index, 31% were in a scanned format. This represents a high percentage of documents that are barely useful for study purposes by non-governmental organizations and independent research analysts.

The current legislation also ensures the minimum legal basis regarding the organization of budget hearings. However, according to our findings, the general participation of citizens in such hearings is very low. The reason for this is the lack of citizens' knowledge about the budget and the lack of trust in institutions. Almost all municipalities failed to include on their websites minutes of budget hearings with citizens. In addition, such minutes would serve as evidence of the extent that citizens' suggestions were addressed in budget planning. As a result, this would also lead to a higher participation of citizens in budget hearings in the future. Another reason could be the lack of budgets for citizens and of a municipal strategy for promoting citizen participation in such hearings.

Given these findings, GAP Institute recommends the following:

- In order to increase transparency and involvement of relevant stakeholders in the budget process, MLGA and MF should:

- advance the legal basis for transparency, to require municipalities to publish all documents in MS Excel. A good example of the publication of budget reports in Excel is the Municipality of Prishtina, with the “Prishtina Open Data” platform. See the link for more: <http://bit.ly/2j5qwej>;
  - oblige municipalities to disclose Analytical Account Cards;
- In order to increase citizens’ involvement and trust in budget processes:
  - Municipalities should publish all budget documents, minutes and accompanying materials from budget hearings regarding citizens' requests;
  - The LPFMA should be amended so that budget organizations draft budgets for citizens that contain simplified and visualized budget information;
  - In order to facilitate the provision of information to citizens, the links of documents published on the municipal website should be categorized.
- In order to increase transparency and citizen involvement in budgeting, the LPFMA should clearly specify that the Chief Financial Officer and the Mayor of the Municipality must organize budget meetings with citizens;
- Municipalities must do more to promote citizens’ participation. Some of the mechanisms that municipalities can apply to incite citizens’ interest in participating in the budget process are: focus groups, community meetings, budgetary incentives, establishment of citizen’s budgeting advisory commissions, surveys, online platforms, etc.<sup>21</sup>

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<sup>21</sup> For more see the analysis of the GAP Institute and the Group for Legal and Political Studies, Source: <http://bit.ly/2y0HuNf>



GAP Institute is a Think Tank established in October 2007 in Kosovo. GAP's main goal is to attract professionals to create an environment of professional development and research, as seen in similar institutions in Western countries. This also provides Kosovars with opportunities to research, develop and implement projects in order to advance the Kosovo society. Priority for this Institute is the mobilization of professionals to address the country's economic, political and social challenges. GAP's main goals are to fill the gaps between government and citizens, and between problems and solutions.

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