

# 2017 Municipal Budget Transparency GAP Index





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# Executive summary

Full budget transparency enables citizen inclusion in budget processes and prevents mismanagement of public funds. In addition, transparency and accountability in budget and public finance management increases trust in institutions and subsequently budget income. Acknowledging its significance, last year, GAP Institute analyzed legislation and drafted a budget transparency index at the municipal level. The municipal transparency index sorts municipalities based on the number of budget documents published, budget hearings organized with citizens, the format of document publication and responses to GAP Institute requests to access budget documents. This year, the report utilizes a similar index to assess the current situation and evaluate the flow of the municipal budget transparency process in 2017. Findings of the 2017 report show that in comparison to 2016, the index tracks municipalities higher in terms of budget transparency. While in 2016 only 47% of the municipalities managed to collect over 50 points in the index, in 2017, 53% of the municipalities collected over 50 points. By making use of the index format of 2016, the number of budget documents in 2017 is 298, exceeding the 2016 figures by 13.

Despite binding legal obligations, a considerable number of municipalities continue not to publish budget documents. Also, according to data collected in 38 municipalities, in total 61 budget hearings were not conducted at all (of 152 public hearings set in the law). Municipalities of Mamusha, Istog, Vushtrri, Ranillug and Decan regressed in 2017 in terms of budget transparency. While, the municipalities of Shtime, Fushë Kosovë, Skenderaj and Prishtina have advanced under the same terms.

Another problem is the publication of budget documents. The MS Excel version allows access to and easy analysis of data. Based on the findings of this report, 55% of the documents are in MS Excel format, 20% in PDF, 17% in scanned PDF format and 8% sent upon request.

In order to have an early assessment of the budget transparency tendency of municipalities in 2018, in this report we analyzed how many of the municipalities have published the financial report on the first and second quarter, and the Mid-Term Budget Framework 2019-2021 (which were not part of the 2017 index). We also analyzed how many of the municipalities have published contracts signed in 2017. In addition to the description of the overall situation, this report offers an individual assessment of the municipalities in terms of budget transparency and presents a number of recommendations on how to improve the current situation.

# Methodology

The 2017 index drafted by GAP Institute to evaluate budget transparency in municipalities sums up a total of 100 points distributed for budget documents, regulations, list of subsidy beneficiaries and budget hearings. Along with documents that municipalities are legally bound to publish, the index also distributes points for other important documents, including the Accounts Analytical Card, list of subsidy beneficiaries and internal audit reports. The number of points by document is the same across all municipalities, and the points were allocated based on GAP Institute evaluations, pursuant to their weight for increasing transparency and accountability at the local level.

**Table 1. ASSESSMENT OF MUNICIPALITIES IN TERMS OF DOCUMENT PUBLICATION, ACCORDING TO GAP INSTITUTE**

Document	Excel	PDF	Scanned PDF	On request
2017 Q1 Financial Report	5	3.5	2.5	1.5
2017 Q2 Financial Report	5	3.5	2.5	1.5
2017 Q3 Financial Report	5	3.5	2.5	1.5
2017 Annual Financial Report	15	10.5	7.5	4.5
2018 Planned Budget	5	3.5	2.5	1.5
Mid-Term Budget Framework 2018-2020	10	7	5	3
Regulation on allocation of subsidies	5	5	5	1.5
List of subsidy beneficiaries for 2017	10	7	5	5
Analytical Accounts Card for budget expenditure in 2017	20	14	10	10
Public budget hearing on 2018 Budget	2.5	2.5	2.5	2.5
Public budget hearing on 2018 Budget	2.5	2.5	2.5	2.5
Public budget hearing on 2018 Budget	2.5	2.5	2.5	2.5
Public budget hearing on 2018 Budget	2.5	2.5	2.5	2.5
Internal Audit Report 2017	10	10	10	5

In the 2017 index, the internal municipal audit report is added and rated with ten points, while the points of budget hearings were decreased to 2.5 each. All documents published in a computer readable format, such as Microsoft Excel or Word are evaluated with maximum points. An exception to this criterion is the regulation on allocation of subsidies and internal audit report, which are rated equally regardless of their format, as their content is mainly textual. Documents published in PDF format are evaluated 30% less than the editable formats, while the publication of scanned documents is evaluated 50% less. In the event that documents are not published at all in the municipalities' web-page, but the municipality has responded to our request for access to said documents, the evaluation of this position was decreased by 70%. An exception to this 70% deduction are the Analytical Accounts Card, internal audit report and list of subsidy beneficiaries – as their publication does not comprise a legal obligation as per the applicable legislation. Also, this index does not evaluate the quality of

the published documents, therefore a municipality can obtain maximum points if it published all documents on the official web-page in Excel format and has organized at least four budget hearings.

The collection of data on publication of documents was performed by requesting from the municipalities to complete a document with links of documents in the municipality's web-page. Requests were sent to municipalities' public information offices in October 2018, while monitoring of municipal webpages by GAP Institute was also concluded conducted in October 2018. For municipalities not responding to our requests, index evaluation was performed based on information obtained in their respective web-pages. In principle, if a document can't be found in the municipality's webpage with a few clicks, they are not taken into consideration for evaluation.

The right of citizens to access public documents is guaranteed by the Constitution of Kosovo and law on access to public documents. Moreover, budget transparency of public institutions is regulated by the Law on Public Financial Management and Accountability (LPFMA), Law on Internal Control of Public Finance and relevant administrative instructions.

According to the Administrative Instruction on Municipal Transparency of the Ministry of Local Government Administration (MLGA), municipalities are bound to publish the following budget documents: 1) draft budget and investment plans; 2) quarterly expenditure reports; 3) mid-term budget framework (MTBF); 4) summary report of the municipal budget for the previous fiscal year; and 5) report of the auditor general on the budget of the previous fiscal year.<sup>1</sup> Law on Public Financial Management and Accountability obliges mayors to publish quarterly financial reports in the municipality's webpage no later than 30 days upon its elapse.<sup>2</sup> Law on Internal Control of Public Finance obliges municipalities to publish internal audit reports no later than five months upon its elapse.<sup>3</sup>

According to the Law on Public Financial Management and Accountability, the municipal assembly is obliged to hold budget hearings with citizens, in accordance with applicable municipal acts.<sup>4</sup> On the other hand, the MLGA Administrative Instruction on Transparency in Municipalities defines that in addition to the obligation to conduct two public hearings with citizens within every year, municipalities are to organize two additional hearings on budget and other issues of interest for the municipality.<sup>5</sup> In addition, in some cases, budget circulars drafted by the Ministry of Finance (MF) oblige mayors to review budgets publicly with citizens.<sup>6</sup>

1 Ministry of Local Government Administration (MLGA). Administrative Instruction No. 01/2015 on Transparency in Municipalities, Article 4.2. Source: <https://bit.ly/2RlJEbV>

2 Law on Public Financial Management and Accountability, Article 45, Source: <http://bit.ly/2h3BfRW>

3 Law on Internal Control of Public Finance, Article 16. Source: <https://bit.ly/2ABEUQP>

4 Law on Public Financial Management and Accountability, Article 61.2

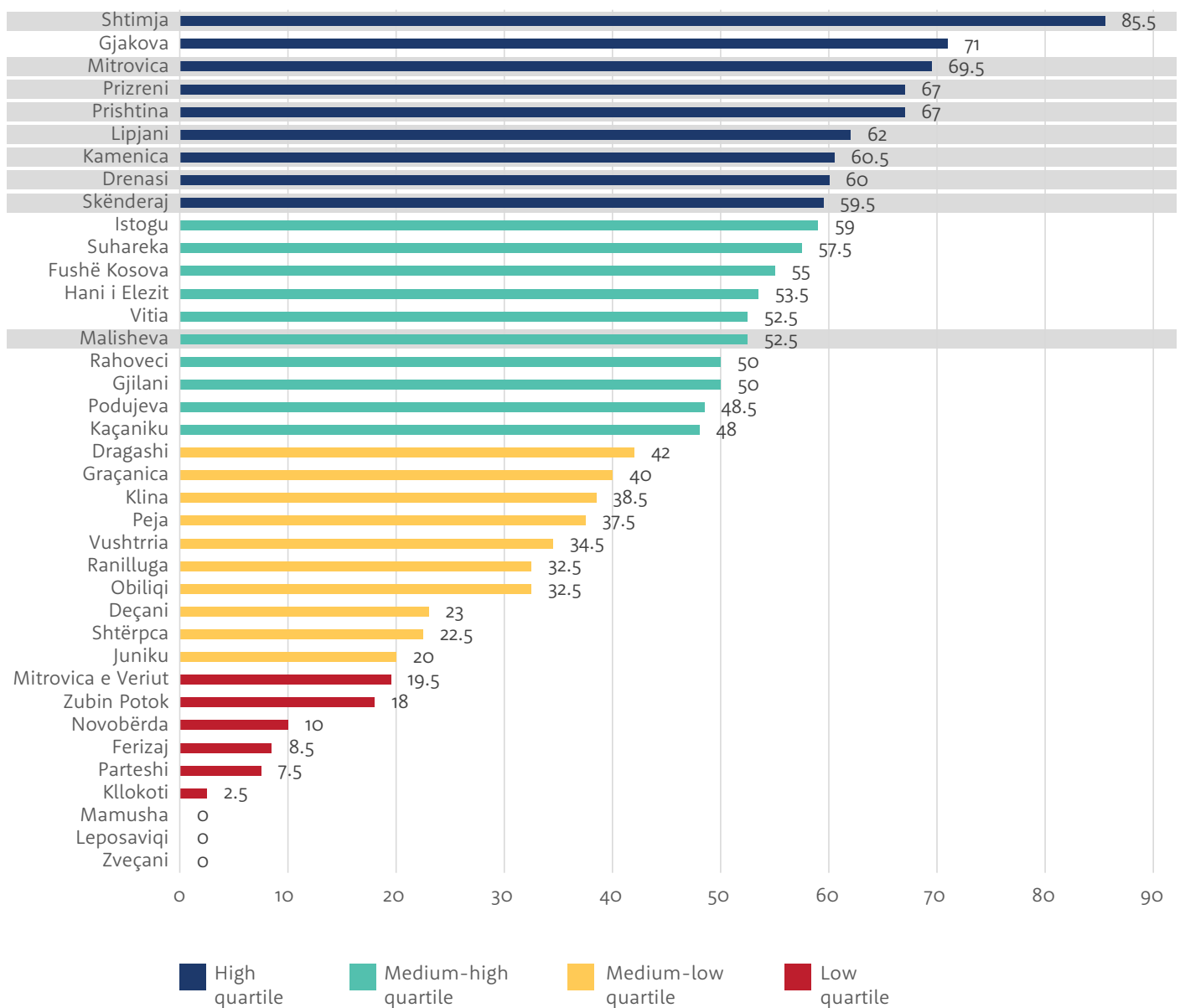
5 Ministry of Local Government Administration (MLGA), Administrative Instruction No. 01/2015 on Transparency in Municipalities. Source: <https://bit.ly/2RlJEbV>

6 For additional details on the legal basis on municipal budget transparency, last year's index: <https://bit.ly/2Fkxdzj>

# Municipal budget transparency index

Results of the 2017 index show an unsatisfactory level of budget transparency by municipalities. None of the municipalities managed to publish all documents covered in the index. Of 38 municipalities assessed, over half are ranked with under 50 points collected. The average of points for municipalities is 40, with some performing much better than others. Municipalities with the largest number of points are Shtime (85.5), Gjakova (71) and Mitrovica (69.5). While, Mamusha, Leposaviq and Zveçan are evaluated with 0 points as they have published no documents and responded to no GAP Institute requests to access them. Figure 1 presents points gathered by each municipality, while highlighting those that have published all documents as determined in the law.

Figure 1. MUNICIPAL BUDGET TRANSPARENCY INDEX 2017



A concerning fact is that documents of highest informative value for the budget are least published. Only two of thirty-eight Kosovo municipalities have published the Analytical Accounts Card, the most detailed budget document at municipal level (Shtime and Gjakova), while two other municipalities have provided access to this document only upon GAP Institute's request. The internal audit report, another valuable document, was published by only two municipalities. On the other hand, regarding documents the publication of which comprises a legal obligation, 26% of the municipalities (10) have not published at all the annual financial report for 2017, while 39% of the municipalities (15) have not published the Mid-Term Budget Framework 2018-2020 (Table 2).

**Table 2. PERCENTAGE OF MUNICIPALITIES NOT PUBLISHING DOCUMENTS CONTAINED IN THE INDEX**

<b>Unpublished documents</b>	<b>Percentage of municipalities</b>
2017 Q1 Financial Report	34%
2017 Q2 Financial Report	29%
2017 Q3 Financial Report	39%
2017 Annual Financial Report	26%
2018 Planned Budget	24%
Mid-Term Budget Framework 2018-2020	42%
Regulation on allocation of subsidies	26%
List of subsidy beneficiaries for 2017*	45%
First budget hearing with citizens on 2018 budget	26%
Second budget hearing with citizens on 2018 budget	37%
Third budget hearing with citizens on 2018 budget	42%
Fourth budget hearing with citizens on 2018 budget	50%
Internal Audit Report 2017*	95%

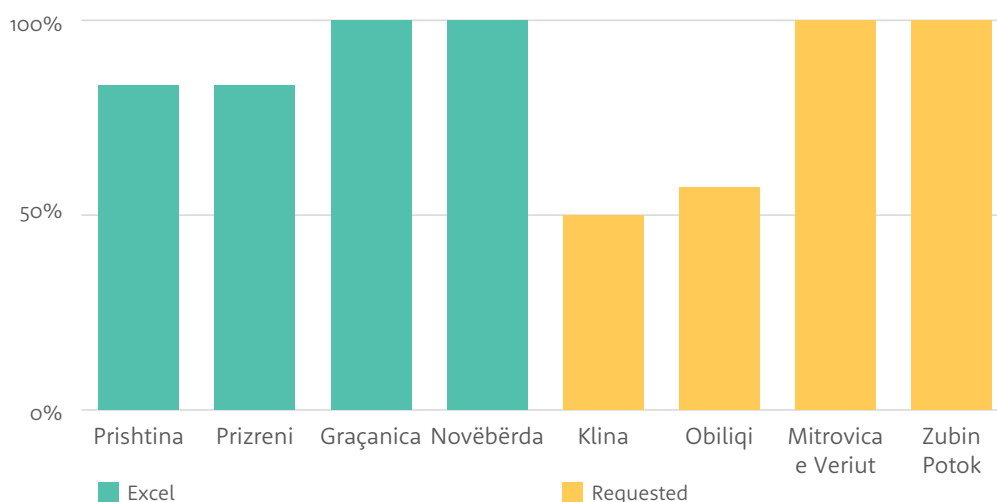
\*Documents the publication of which is not legal obligation.



In addition to the inadequate rate of publication of documents, another obstacle to analyzing data from the published documents is their publication format. Of 300 analyzed documents, 55% were in MS Excel format, 20% in readable PDF, 17% in scanned PDF, and 8% only received upon request.

Municipalities with the highest percentage of data publication in MS Excel format are Prishtina, Prizren, Graçanica and Novobërda (Figure 2). This format enables easier use of budget data by the citizens. The municipalities with the highest percentage of unpublished data are Zubin potok, Mitrovica North, Obiliq and Klina. These municipalities have provided access to some documents only after requested by GAP Institute.

**Figure 2. MUNICIPALITIES WITH THE HIGHEST PERCENTAGE OF DOCUMENTS PUBLISHED IN WEBPAGES IN MS EXCEL AND THOSE WITH THE HIGHEST PERCENTAGE OF DOCUMENTS SENT UPON REQUEST**



The data analysis shows that a large number of municipalities have made accessible in their webpages or have sent upon request documents like 2017 Annual Financial Report, 2018 Draft-Budget and Regulation on Allocation of Subsidies. Other documents comprising the index show that in total 25 municipalities have published in their webpages or have sent upon request financial reports of the first quarter, 27 municipalities have published or have sent upon request financial reports of the second quarter and 23 municipalities have published or sent financial reports of the third quarter.

As regards budget hearings, 91 such meetings were held in total in 2017 (Table 3). Of those, five municipalities have provided webpage notifications on holding only one budget hearing, while ten municipalities have not posted any notifications and have not responded to our requests about organized budget hearings.

On the other hand, although it does not comprise a legal obligation, the publication of lists of subsidy beneficiaries in 2017 in some municipalities is considered a positive step towards greater transparency. Of 38 municipalities analyzed, 15 have published such tables in their webpages and six have sent them upon request (Table 3).

**Table 3. DOCUMENTS PUBLISHED UNDER THE MUNICIPAL BUDGET TRANSPARENCY INDEX 2018**

Document	Points		Number of municipalities		
	Excel	PDF	Scanned PDF	Requested	
2017 Q1 Financial Report	9	9	5	2	25
2017 Q2 Financial Report	7	10	6	4	27
2017 Q3 Financial Report	5	10	4	4	23
2017 Annual Financial Report	26	1	0	1	28
2018 Planned Budget	26	1	1	1	29
Mid-Term Budget Framework 2018–2020	3	10	6	3	22
Regulation on allocation of subsidies	0	5	22	1	28
List of subsidy beneficiaries for 2017*	4	7	4	6	21
Analytical Accounts Card for budget expenditure in 2017*	1	1	0	2	4
Public budget hearing on 2018 Budget	83	4	3	1	91 hearings b.
Internal Audit Report 2017*	0	2	0	0	2

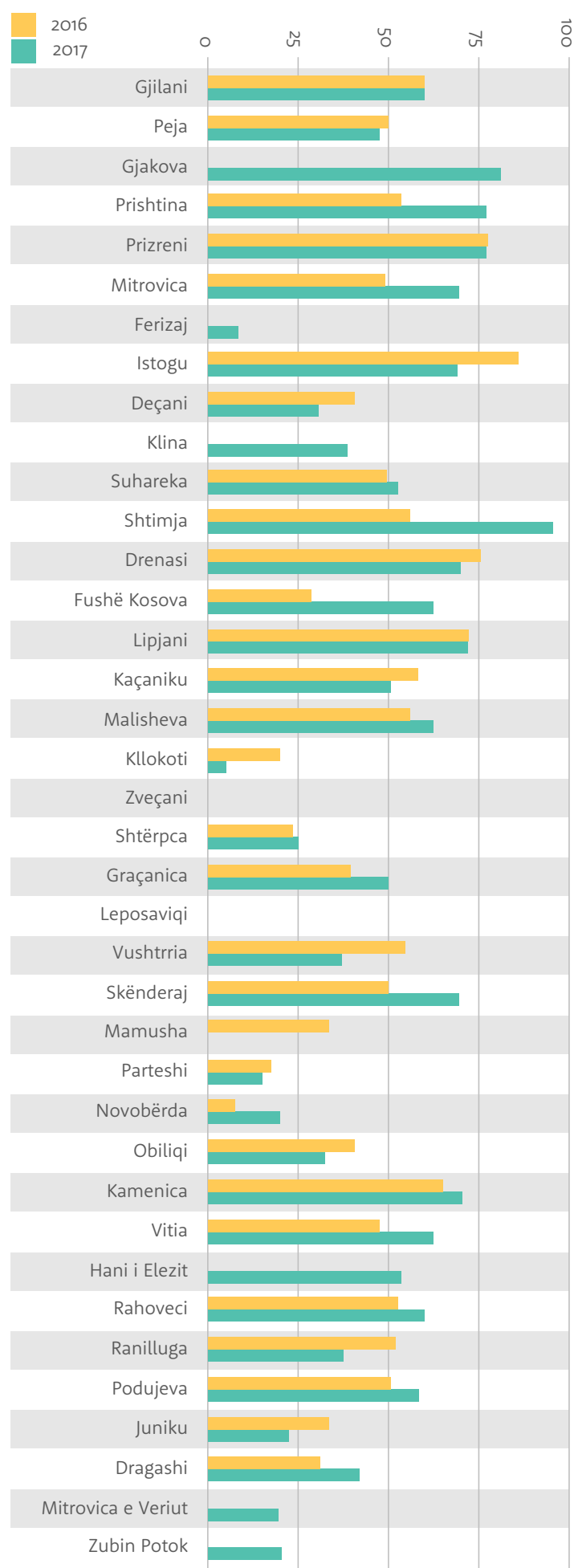
\*Documents the publication of which is not a legal obligation.

# Comparison: 2016 and 2017 Index

To compare the progress made by municipalities in enhancing municipal budget transparency in the previous two years, we have maintained the structure of last year's index in the definition of this year's index. The comparison of 2016 and 2017 indexes shows that municipalities have enhanced their budget transparency. While in 2016 only 47% of the municipalities had collected in excess of 50 points in the index, this year, 53% collected that amount.

Of municipalities assessed in the 2016 index, the most significant progress in the 2017 was marked by municipalities of Shtime, Fushe Kosove, Skenderaj and Prishtina. These municipalities increased the number of budget documents published in their webpages. On the other hand, municipalities that have made a step back in 2017 in terms of budget transparency are Mamusha, Istog, Vushtrri, Ranillug and Decan, having not published as many budget documents and not organized as many budget hearings as in the previous year.

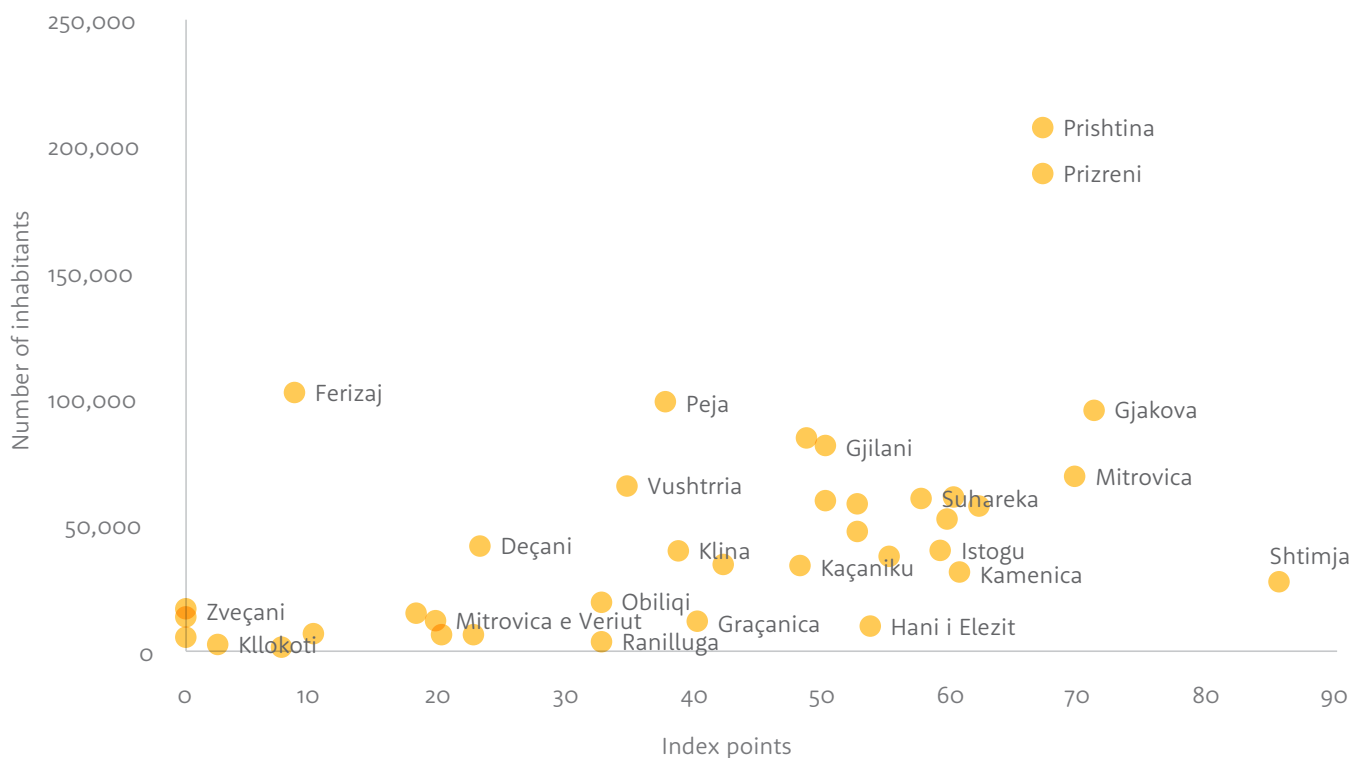
**Figure 3. PROGRESS OF MUNICIPALITIES IN TERMS OF BUDGET TRANSPARENCY 2016-2017**



**Table 4. MUNICIPAL BUDGET TRANSPARENCY INDEX - 2017/2016 COMPARISO**

Municipality	2017 ranking	2016 ranking	Difference
Shtime	1	9	▲ 8
Fushë Kosovë	12	26	▲ 14
Skenderaj	9	15	▲ 6
Prishtinë	5	11	▲ 6
Mamushë	38	24	▼ 14
Istog	10	1	▼ 9
Vushtrri	24	10	▼ 14
Ranillug	26	13	▼ 13
Deçan	27	21	▼ 6

Studies show that municipalities with larger populations tend to show greater budget transparency.<sup>7</sup> Number of points gathered by municipalities in this year's index, compared to their population as shown in Figure 4, reveals that municipalities with higher population figures are more transparent. Concretely, of all municipalities gathering more than 50 points in the index, the majority (11 of 17) have over 50 thousand inhabitants. On the other hand 15 municipalities with less than 50 thousand inhabitants have 40 points or less in the index. A special case is Shtime municipality, the most transparent municipality, with less than 30 thousand inhabitants.

**Figure 4. POINTS COLLECTED BY MUNICIPALITIES IN THE 2017 INDEX, BY SIZE OF MUNICIPALITY**

7 See paper of Paloma Giménez Perona (2014) "Budget transparency in local governance". Source: <https://bit.ly/2RLnqC>. Similarly see paper of Guillamón et al. (2011) "Determinants of budget transparency in local governance". Source: <https://bit.ly/2QmoDGz>

# 2018 budget transparency trends

In order to have an earlier assessment of the tendency of municipal budget transparency for 2018, we've analyzed in this report how many of the municipalities have published to date all four documents which should legally be published in the municipal webpage.<sup>8</sup> Also, we've analyzed municipal openness in 2017 as regards the publication of executed contracts. These documents receive no points in the 2017 index, as they will be included in the next index for 2018.

This year, 29 of 38 municipalities have published the first quarterly financial report in 2018, exceeding the 2017 figures by four municipalities. Also, 30 municipalities have published in their webpages financial reports of the second quarter of 2018, three more than in 2017. This year, 27 municipalities have published the 2019-2021 MTBF, while last year only 22 municipalities had published the 2018-2020 MTBF. In 2017, there were only two municipalities, Fushë Kosova and Lipjan, that had published contracts executed with economic operators. Most other municipalities have not published contracts or have only published descriptive reports on all contracts executed.

In general, in 2018 there is a greater will of municipalities to publish budget documents. However, as noted in the table below, the number of municipalities that publish budget documents in Excel format (such as quarterly financial reports), remains low. Therefore, the utilization of data by citizens, civil society organizations or media becomes more difficult and takes more time.

**Table 5. MUNICIPAL TRANSPARENCY TREND IN 2018 COMPARED TO 2017**

	Excel	PDF	Scanned PDF	Requests	Total 2018
2018 Q1 Financial Report	9	10	9	1	29
2018 Q2 Financial Report	9	12	6	3	30
Mid-Term Budget Framework 2019-2021	4	11	11	1	27
Contracts signed in 2017	0	0	2	0	2

<sup>8</sup> At the time of index data collection, October 2018.

# Conclusions and recommendations

In 2017, budget transparency of municipalities, measured by the GAP Institute index, was higher than in 2016. Of documents comprising the index, municipalities have published in their webpages or have sent through electronic mail upon request over 300 documents. In the event that the form of the 2016 index is preserved, thereby excluding the internal audit report, the number of documents included in the index is 298 (13 more than in 2016). Progress in budget transparency in 2017 was reached by Shtime, Fushë Kosovë, Skenderaj and Prishtina municipalities, while municipalities that made a step back as regards transparency in 2017 are Mamusha, Istog, Vushtrri, Ranillug and Decan.

Also, compared to 2016, the number of documents that municipalities published in MS Excel version in 2017 was much higher, thus offering easier access to data to end-users. Concretely, 55% of the documents were published in this format, compared to only 35% in 2016. However, in 2017 the number of budget hearings organized by municipalities remains unchanged compared to the previous year (91). Thus, municipalities have not engaged to increase the number of meetings with citizens to discuss on the budget.

As regards budget transparency trends in 2018, notably there is a higher number of municipalities publishing quarterly financial reports and mid-term budget frameworks for the year. However, next year, the index will analyze in general municipal budget transparency throughout 2018.

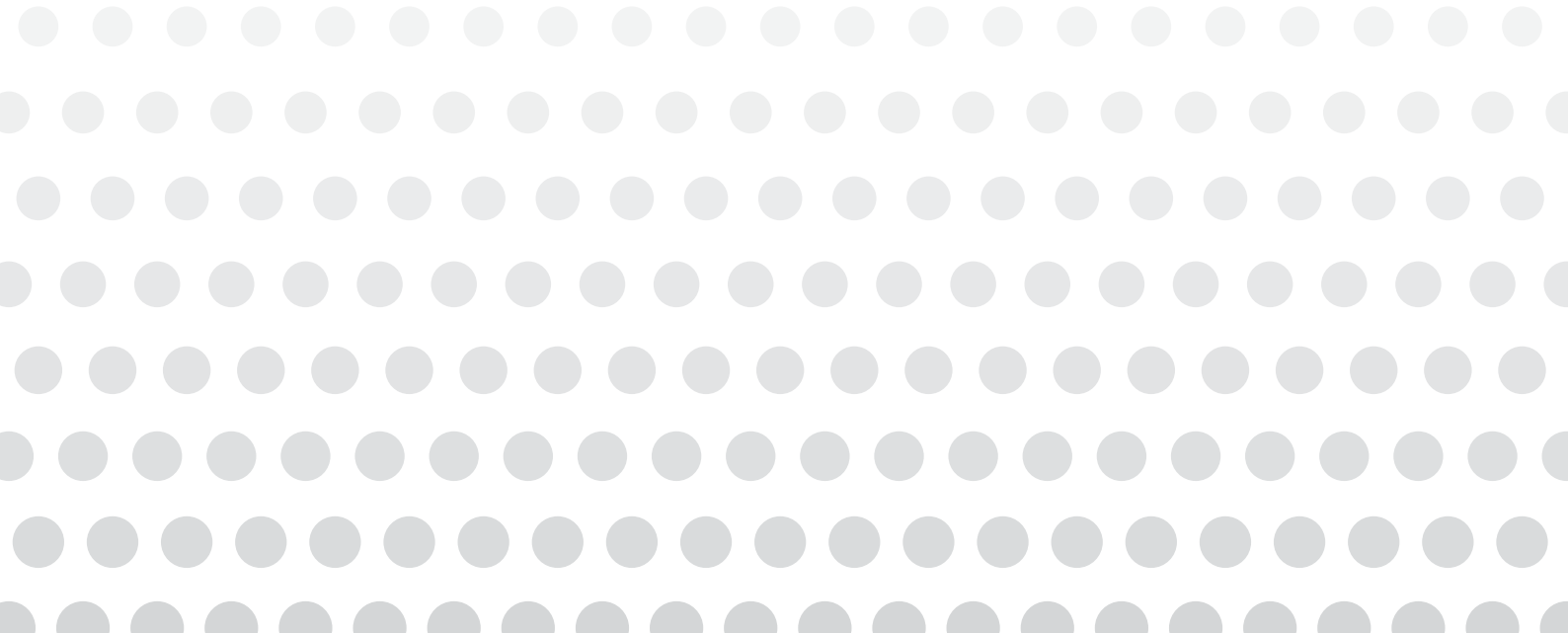
In order to increase budget transparency in municipalities, it is important:

- To amend and supplement the legal basis, so as to regulate that:
  - » all budget documents, with the exception of regulations and lists, are published in computer-readable former (for instance, MS Excel), in order to facilitate data use;
  - » oblige municipalities to publish the Analytical Accounts Card, lists of subsidy beneficiaries and internal audit reports, as documents of significance for increasing municipal budget transparency;
- To oblige municipalities to apply Administrative Instruction No. 01/2015 on transparency in municipalities, concretely in terms of publishing budget documents in the budget link and not in other various links; .
- To have municipalities find new methods to encourage citizen participation in budget hearings. Social media and different survey tools could help in finding the best communication channel with citizens and enhancing their participation in municipal organizations. Other methods that can be included in Administrative Instruction No. 01/2015 on Transparency in Municipalities are:

- » Organization of focus groups
  - » Organization of four budget hearings;
  - » Budget stimuli;
  - » Establishment of advisory citizen committees on budget issues;
  - » Citizen surveys;
  - » Use of online commenting platforms.
- Minutes of budget hearings should be published since they would incentivize NGOs to conduct research about the level of accountability in municipalities and the extent to which the budget requests are being taken into account. The final result could enhance citizen participation in budget processes, a more appropriate budget allocation, enhancement of citizen trust and increase of budget income.



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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