

## **Report on the Budget of Municipality of Durres for year 2004**

The Municipal Council, with its resolution no 406 dated 15/08/2003 confirmed by Prefecture's bill no. 1334/2, dated 2/09/2003 has approved a mid term 2004-2006 draft-budget for Durres Municipality. This draft-budget has been approved in accordance with the law no 8652, dated 31/07/2000 "For organisation and functioning of the local government", the law no 8983 dated 20/01/2002 on "State's budget planning for the year 2003", the law no 7776 dated 22/12/1993 "On the Local budget" amended by law no 8399 dated 9/09/1998 and the directive from Ministry of Finances and the Ministry of Local Governance on the draft-budget for 2004 year.

The Ministry of Finances, in its resolution no 110 dated 9/01/2004, and approved by Durres branch of treasury on 19/01/2004, allocates a grant for year 2004 in amount of 51783 leke to be distributed in 3 quarters of the year.

The Ministry of Local Government, in resolution no 167 dated 16/01/2004, has allocated the funds for employees' salaries, social security, operational expenses for central government functions (civil status offices, MPs staff).

The Ministry of Education and Sciences, in resolution no 228 dated 16/01/2004, has allocated a conditional budget for salaries, social security and scholarship. This budget, however, is not fully compatible with salaries and social security provided for secondary and elementary schools (lack of budgeting for secondary and an excess of it in elementary schools). On this issue, the Ministry of Education and Sciences has been informed from us in an official letter no 278, sent on 28/01/2004.

A commission working on the budget for 2004 was created under supervision of Municipality's Chairman and with participation from directors of Directorates of Municipality and from organisations and institutions under this authority.

The work on the budget of 2004 was subject to the law no 8652 dated 31/07/2000 "On Organisation and functioning of local governance", law no 9165 dated 23/12/2003 "On the budget of 2004", law no 7776 dated 22/12/1993 "On local budget" amended by law no 8399 dated 9/09/1998, directives from the Ministry of Finances of Local Government, VKM nr.551

dated 7/11/2002 “On classification of functions and local government units for the purpose of paying salaries”.

After all the data have been gathered and processed from appropriate directorates and institutions of the Municipality, a conclusion can be drawn that:

**The Budget of Durres Municipality for year 2004 is presented as follows:**

Total budget            1.729.719 Leke

This budget breaks down into:

I. GRANTS	51.783 leke
II. LOANS	579.733 leke
III. INCOME	1.098.203 leke

...and is made of:

- Planned income for 2004	882.810 leke
- Income transferred over from 2003	163.629 leke
- Income not used in 2003	51.764 leke
(5% for the purpose of guaranteeing any shortcomings)	

Municipality’s incomes consist of planned tariffs and taxes that are collected from Tax & Duties, Durres section, and Municipality’s Taxation Department.

*Brief description of 2003 budget spending and spending plans for 2004*

#### **I. INCOMES FROM GRANTS**

The grants from the Ministry of Local Government for the year 2003 were considered in amount of 16.432 Leke, which has caused some difficulties for

budget of 2003. As a result of this, and based on the law no 8983 dated 22/12/2003 “On the budget of 2003” annexe 2, article c which provides for a interest-free loan from compensation fund for Municipalities that have discrepancy between their spending needs and tax-collection for the first quarter of the year 2003, the Durres Municipality was granted a loan in amount of 96.000 leke from the Ministry of Local Government in order to cover the spending for the first quarter. The total amount of the grant and the loan is 119.044 leke, money that has been spent as approved by Municipal Council’s decision no 344 dated 15.03.2003. The loan amount of 96.000 was repaid from our income.

For 2004 year, the Ministry of Local Government has allocated to Durres Municipality a grant in amount of 51.783 leke, divided in 3 quarterly rates which is planned to be spent for current expenses as follows:

in 000 leke

	salaries	social security	operational expenses	total	% of grant
▪ City’s services	20070	5881	2190	<b>28141</b>	54,3 %
▪ Transport infrastructure	1752	525	500	<b>2777</b>	5,4 %
▪ Culture and Sport	4260	1269	400	<b>5929</b>	11,4 %
▪ Social Care services	1941	585	300	<b>282</b>	5,5 %
▪ Education			5780	<b>578</b>	11,2 %
▪ Other public Services	2100	630	3600	<b>6330</b>	12,2 %
<b>Total of grant</b>		<b>30123</b>	<b>8890</b>	<b>12770</b>	<b>51783</b>

As it can be seen, 58% of the grant has been planned to pay the salaries, 17% for social security and 25% for operational expenses.

Attached is the table showing the grant for 2004, divided in 3 quarters based on economic and functional categorisation. (Table no 1)

## II. INCOMES FROM CONDITIONAL LOAN

This income consists of funds that are allocated from state in order to finance part of expenses (salaries, social security, scholarships) for common functions, such as, education and health and total financing of functions linked with central governing, such as civil status, MP’s support staff as well as the funds being allocated from appropriate and central institutions for the

purpose they were approved. For 2003 year, the amount of conditional budget was 365.270 leke. During the year, however, this amount was increased with an addition of 275.382 leke, so that the total amount of the loan was 640.652 leke. The added amount was used in teacher's salaries, funeral expenses, election expenses, financial aid for disabled, investments etc.

For year 2004, the amount of conditional budget was 579.733 leke. Under directives from the Ministry of Local Government and Ministry of Finances, the conditional loan, as opposed to that of last year, will also cover operational expenses of maintenance for primary health – expenses that last year has been covered from the grant. In this year, this loan breaks down as follows:

- education (salaries, soc.sec., operat. exp. scholarships) 480.198 leke
- primary healthcare (salaries, soc.sec., op.exp.) 90.746
- civil status' office (salaries, soc.sec., op.exp.) 3.214
- MPs staff (salaries, soc.sec., op.exp.) 375
- Funeral expenses (transfers) 5.200

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**The total of conditional loan                    579.733 leke**

Attached is the table showing conditional loan for 2004 year, divided in 3 quarters based on economic and functional categorisation. (table no 2)

### III. INCOMES FROM INDEPENDENT BUDGET

For the year 2003, spending plans from independent budget were 876.893 leke, of which, 716.876 leke for current expenses and investments with the remaining 160.017 leke to be used during the calendar year by Municipal Council. The allocation of a small amount of grant and the receipt of loan in amount of 96000 leke and its repayment from this budget left the surplus of 64.017 leke that were used for investments in infrastructure, operational expenses and cultural activities from Municipal Council. Budget spent for 2003 is 700.087 leke, of which for salaries, social security and operational expenses - 303.918 leke, investments 343.407 leke and transfers 52.762 leke which consists of the contribution for District, subvention of City's park, projects for cultural centre of QKF etc. As it can be seen, current expenses take 44% of the income and investments take 49%. (Attached is the table of

distribution of income in Municipality's organisations and institutions, table that shows the spending of emergency funds and that of reserve funds for 2003 – table 3, 4, 5)

In sum, the budget of Durres Municipality with all its incurring changes during the budget year of 2003 amounted to 1.459.763 leke from 1.361.207 leke as initially planned – that is, 107% achieved. This shows an efficient use of all three resources.

*Below we explain the dynamics of the process of collecting the income for 2003 and the planning for 2004.*

In 2003, the Durres Municipality, as the rest of local governments, in administrating its incomes, faced the challenge of approving taxes and tariffs – something that was required from local governments for the first time. This all-comprising and transparent process was finally approved with consensus of all political forces with Resolution no 343, of 19 of March, 2003.

Despite the delays, the results for year 2003 were satisfactory – in total the incomes reached 107%, a surplus of 82.456.978 leke. This positive increase is, primarily, a consequence of the increase in subjects compared to 2002 – from 2356 to 3403 or, 144%. Another positive factor in achieving these results is the multifarious interpretation from the Municipality Council on the extent and harmonisation of all tariffs and taxes for every subject. Also, another positive factor was the cooperation between the Municipality of Durres and department of tax & duties in implementing rigorously the policy of not licensing the subjects unless they've paid all taxes. Below, we analyse all groups of income based on their sources as shown on the table no 6.

### **I. INCOMES FROM THIRD PARTIES.**

In total, these are the incomes from small businesses administered by the department of taxes in surrounding districts of Durres Municipality, and achieved in scale of 76%, with a deficit of 86.013.300 leke. The reason for this is the inappropriate planning policy from the Ministry of Finances for year 2003. Incomes from the vehicle registration taxation and transactions from real estate that are administered from DSHA and mortgages have been accomplished in scale of 136% or in amount of 17.809.568 leke.

To conclude, this group of income, in total has achieved 83% of the plan, with a deficit of 68.203.732 leke, of which the main part comes from small businesses.

## **II. INCOME FROM TAXATION.**

This part of income is administered by Durres Municipality - represented by Directorate of Taxes. The amount of realisation of this income is 219% or 189.621.261 leke. This comes as a result not of hard work from the Directorate, but of springing building industry and, consequently, its taxation that has been achieved in 270% scale, or 170.031.669 leke. We can say that the Directorate of Taxes did not accomplish its task well with regard to taxation of hotels – only 59% and a deficit of -407.059 leke as well as taxation of marketing – only 61% or -2.335.300 leke.

## **III. INCOME FROM TARIFS**

This group of income too, is administered from Municipality of Durres represented by the Directorate of Taxes, Directorate of Services, Directorate of Veterinary, Civil status' Office and Archive. The amount of realisation from this group of income was 121% or 12.411.015 leke.

## **IV. NON-TAXATION INCOME**

This group of income was only accomplished 36%, or a deficit of - 51.371.565 leke. There are no objective reasons for non-fulfilment and the main difference here comes from the income from sales, rent, lease and properties which have been achieved to a scale of 14% or a deficit of - 42.993.687 leke. The main reason – suspension of any sales of land from the Government for reason of opening the process of compensation for ex-land owners.

We can conclude that, despite positive results in general, there was some inefficiency in Directorate of Taxation's work with regard to a use of all its resources in collecting the taxes and tariffs. This is mainly a result of not sufficient cooperation with other directorates, and mainly with Directorate of Municipal Police as well as the lack of professionalism and managing skills in this directorate.

## PLANNING AND DISTRIBUTION OF INCOME FOR YEAR 2004

For year 2004, the Durres Municipality has planned its income based on the law no 8982 dated 12/12/2002 “On the system of local taxation”, law no 8978 dated 12/12/2002 amended by law no 9158 dated 18/12/2003 and the directive from the Ministry of Local Government and the Ministry of Finances.

### INCOMES

Based on the methodology of planning, these incomes are divided in:

A. Income debited from last year	215.393 leke
B. Income from local taxes	882.810 leke

Which consist of:

I. <i>Income from third parties</i>	390.000 leke
1. Income from small businesses	320000
2. Vehicle registration taxes	35000
3. Real estates taxes	35000
II. <i>Income from taxes</i>	385.800 leke
1. Business label tax	3000
2. Market place taxes	30000
3. Wealth taxes	40000
4. Marketing taxes	6500
5. Provisional parking taxes	5000
6. Tax on hotels	1000

7. Tax on new building	300000
8. Tax on hunting	300

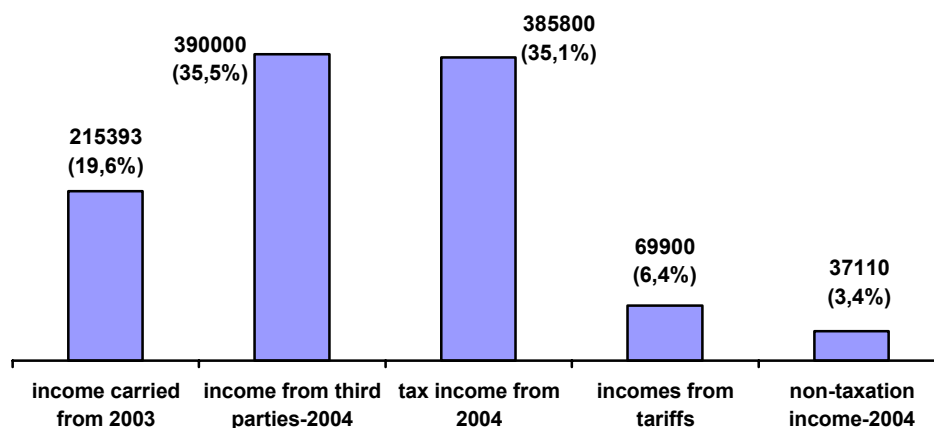
III. *Income from tariffs* 69.900 leke

1. Cleaning tariffs	55000
2. Registration of companies	8000
3. Transport licences	3000
4. Veterinary/butchering	1400
5. Archives	2500

IV. *Non-taxation income* 37.110 leke

1. Rent and sale of land	14753
2. Income from nurseries	1750
3. income from kindergartens	9200
4. fines	154
5. Privatising of flats	953
6. Sponsoring	2500
7. income from dormitories	3300
8. commercial business	4500

*The total of income for year 2004 is - 1098203 leke*



## SPENDINGS

Municipal spending is shown upon its functions and economic classification. The functions and resources of financing are regulated by the law no 8652 dated 31/07/2000 “On organisation and functioning of local government”.

***Municipal functions*** represent the functions with exclusive responsibility to the Municipality. Their funding comes from the grant and from its own resources. These functions are:

- a. public services (cleaning, greenery, decoration, maintenance of cemeteries, lighting)
- b. Public & road transport (road maintenance and subvention of city’s park)
- c. culture and sport (local cultural and sports institutions)
- d. Social care services (social care institutions and nurseries)
- e. General public services (Municipal apparatus, councillors, Municipal Police)

***Joint functions*** are about those fields that are joint responsibility of central government and the Municipality. These are:

- a. Pre-elementary and pre-university education that is funded by the Municipality from operational and maintenance funds, whereas salaries, social security and investments are paid by conditional loan – that is, funds are allocated from the appropriate Ministry. delegated

***Delegated Functions*** are the functions that are the responsibility of central government but are delegated by law to the municipalities. These are the office of civil status and MP’s staff who are paid by conditional loan. With funds from conditional loan will also be paid the primary healthcare wages, social security and operational and maintenance expenses.

The benefits (payments) for social care (economic benefits, disabled) will be made from Municipality in accordance with funding allocated during this year as well as according to quotas and pre-determined periods of payment.

In planning and implementation of the 2004 budget we have also considered the spending plans, such as:

#### **a. Basic salary and bonuses (article 600)**

This consists of the spending on basic salaries and bonuses. The number of employees in some companies has been increased, in particular: in road maintenance company - 9 people, since they've acquired new equipment, in municipal company 'plazh' 3 people, and in public services company 6 people since, this year, in cooperation with urban Institute there will be implementation of the planned action for the improvement on services for cleaning of swampy zone. This zone is about 60ha big and is situated next to the noodle's factory. As part of this, there will be installed around 50 collection points made of concrete which will be used for dumping of, collection and removal of rubbish, which requires the functioning of a team of workers that will work on the processing of collection points.

Basic salaries have been calculated on the basis of VKM no 551 dated 7/11/2002. The Municipality's salaries fund has been calculated considering new structure of Municipality approved by the Municipality's Council' resolution no 4 dated 30/01/2004 which highlights the changes e.g. in the number of employees as well as in its structure (creation of new departments).

#### **b. Health and Social Security contribution (article 601)**

Minimum monthly salary that allows for contribution towards health and social security payments is 10.343 leke and, the maximum salary is 47.015 leke. The amount of contribution is 30.7% from the employer and 11.2 from an employee – in total, 41.9%.

#### **c. Planning on goods and services (article 602)**

Planning on goods and services has been done upon new economic classification –for every function separately, and for all concerned companies and institutions. Spending plans on this field have been calculated referring to the last year's spending. Calculations for petrol, power, water, telephone and special services have been made based upon spending regulations. In Educational and Economic Centre, an estimated 17.700 leke are planned to be spent for operational and maintenance

expenses – repairing and painting of educational institutions. This article also has considered the spending for cultural activities in amount of 20.500 leke and QKF activities – 3500 leke.

Municipality’s spending forecast is as follows::

• Buying office equipment and general (washing liquid, stationery, printing etc.)	5000
• Special materials (leaflets, subscriptions, adverts)	2500
• Telephone and fax services	3500
• Power supply, water, street lighting	10300
• Petrol, wheels, exchange parts	3500
• Invitations, parties, various activities	2000
• Quota of Municipal societies	200
• Spending for councillors’ activities within and abroad	2500
• Other	2500
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	32.000

**d. Court’s decisions**

Financial obligations that run from courts decisions against local units and in favour of the third party are subject to payments being made from the Municipal budget. For 2004, 5000 leke have been allocated for this reason.

**e. Subventions (Article 603)**

This article provides for subventions that will be given to the city’s park to cover the difference in price of the ticket. For this year, this amounts to 28.000 leke.

**f. Transfers (Article 604)**

This article provides for the contribution for district, which for this year amounts to 20000 leke.

**g. Other unforeseen expenses (article 609)**

This consists of emergency funds in amount of 10.000 leke and the reserve funds in amount of 25.000 leke that will be spent during the year upon Municipal Council's decision.

**h. Investment's plans (article 231)**

These funds will be used according to law no 7971 dated 26/07/1995 "On public procurement" amended by law no 8039, 8074, 8112 dated .28/03/1996, VKM nr.335 dated 23/06/2000 "On regulations of public procurement". For year 2004, there have been planned some interventions in infrastructure in order to help the community in rehabilitating some of the most problematic roads. These investments also include those tendered from last year but, with effect to 5% works guarantee and for the reason of spending limits made in December from the treasury, were not carried out (for the list of these objects, see Table 7). Below, is the table showing study and project investments, building and basic maintenance, buying of operational and office equipment that we think are to be accomplished for 2004.

Forecast of investments from incomes:

**I. Studies and projects 13.000 leke**

1. Project study of M.Deshmoreve-Ura Dajlanit str.	5000 leke
2. " " swamp road	5000
3. " " market road	3000

**II. Building and basic maintenance 489.358 leke**

1. Reconstruction of H.Kertusha str. faza II	52970	
2. Reconstr. of promenade - Port-Brryl	40000	
3. Reconstruction of M.Ulqinaku str. II phase		41519
4. Reconstr. of Azis Shkupi str.		20000
5. Reconstr. of M.Ulqinaku side street		9800
6. Restauration of Amphitheatre (joint project – Municipality, Ministry of Education, USAID)	25000	
7. Reconstruction of.Ura Dajlanit-Plepa str.	100000	
8. Greenery of A. Goga str.	5000	
9. Greenery of A. Durrsaku str.	3000	
10. Greenery of new cemeteries	5000	
11. Reconstruction of A.Moisiu theatre	5000	
12. Reconstruction of Municipality's building	66877	
13. Street lighting in A.Goga str.	7200	
14. Repairing of WC's in city's park	3500	
15. Reconstruction of Brryl-Currila str.	50000	
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		434866 leke

Investments approved by Municipal Council – decisions no. 7,8,9,10 dated 30/01/2004 that include investments from 2004 as well.

1. Reconstruction of Tirana str. in Shkozet next to Reg. Dir. of Trans. and Veh. Service	20435	
2. Street lighting of A.Durrsaku	9047	
3. Street lighting of Hospital-New cemeteries 3200 ml	20293	
4. Transport of raw materials in swamp area	4717	
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		54492 leke

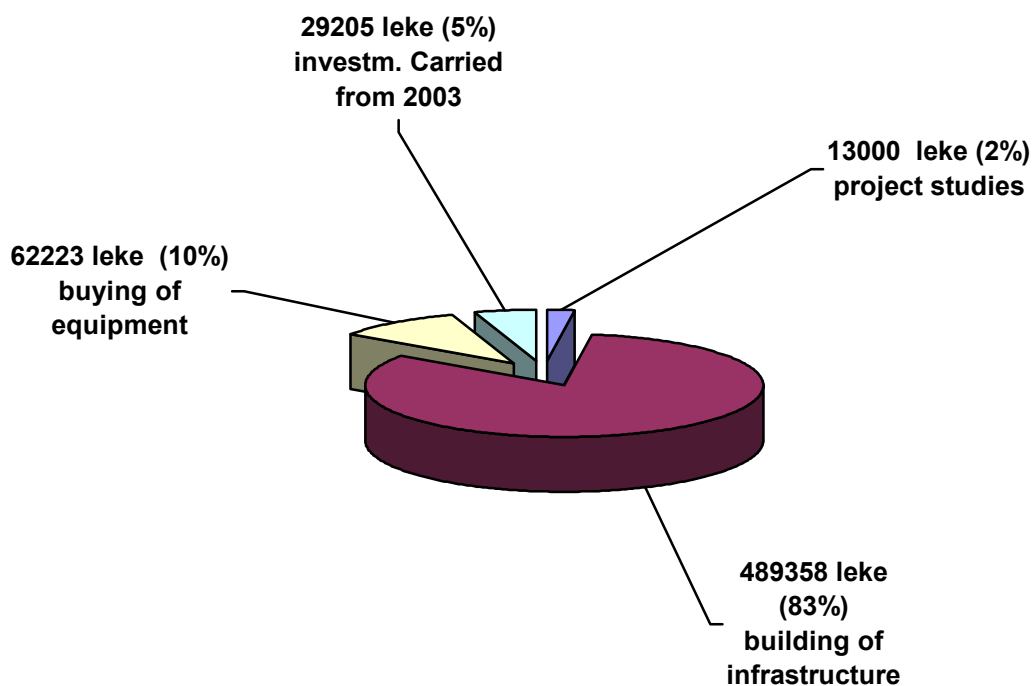
**III. Buying of operational and office equipment 62.223 leke**

A. For public services' companies	22.270 leke
1. Buying of garbage bins	9000

2. -----	garbage processing machine	3000
3. -----	garbage cart	270
4. -----	bulldozer over 150hf	6000
5. -----	mini van	500
6. -----	garbage vehicle for the swamp	2500
7. -----	mobile platform for city's decor	1000
B. For sports and cultural events		6.000 leke
1.	Buying of vehicle (14+1) for multisports club	1500
2. -----	generator “	2000
3. -----	minibus for QKF	2000
4. -----	office equipment for QKF	500
C. For the Municipality		26.203 leke
1.	Buying of two cars	1500
2. -----	minibus for Municip. Police	4400
3. -----	communication equipment for Police	790
	Police radios	11 items
	Aerial	1 item
4. -----	clothing for Police	625
5. -----	equipment for City's hall	10000
6. -----	electronic and office equipment	5000
7. -----	equipment for civil status' offices	3888
D. Education		1.750 leke
1.	Kindergarten equipment	250
2.	Food transport vehicles	1500
E. Building of roads		6.000 leke
1.	Road building machinery and materials	3000
2.	Buying of pavement tiles (slab)	3000

The total amount of planned investments for 2004 (amount I+II+III) is 564581 leke.

The total investment for 2004 year is 593786 leke, as shown on the graphic chart below:



*Municipal incomes will be utilised as follows:*

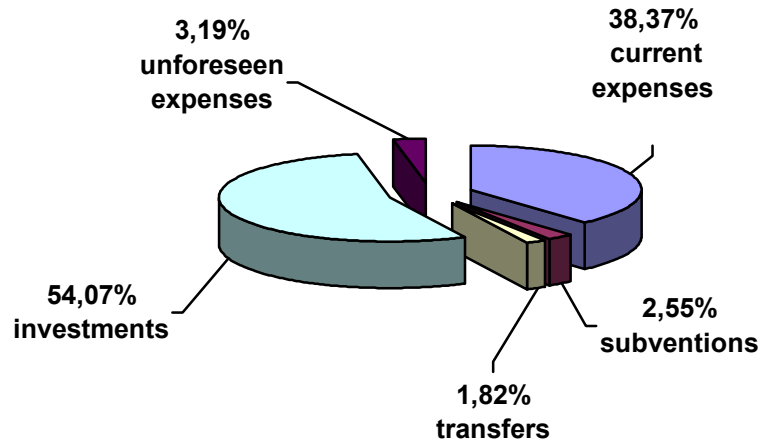
- Current expenses (wages, soc.security, op. expenses) 421417 leke
- Subventions (subv. Of city's park) 28000
- Transfers (district contr.) 20000
- Investments 593786
- Unforeseen expenses (reserves and emergency) 35000

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**1098203 leke**

In total, 38% of incomes are planned for current expenses, 54% for investments and 8% for other purposes.

Attached is the table showing the distribution of incomes based on functions and economic classification for 2004 (table no 6).

**Graphic chart of distribution of income**



Final version of the budget for 2004:

I. MUNICIPAL INCOMES	1.098.203 leke
Income carried from 2003	163629
Income not used from 2003	51764
Income realisation during 2003	882810
- income from third parties	390000
- ----- taxes	385800
- ----- tariffs	69900
- Non-taxation income	37110
II. GRANTS	51.783 leke
III. CONDITIONAL LOAN	579.733 LEKE

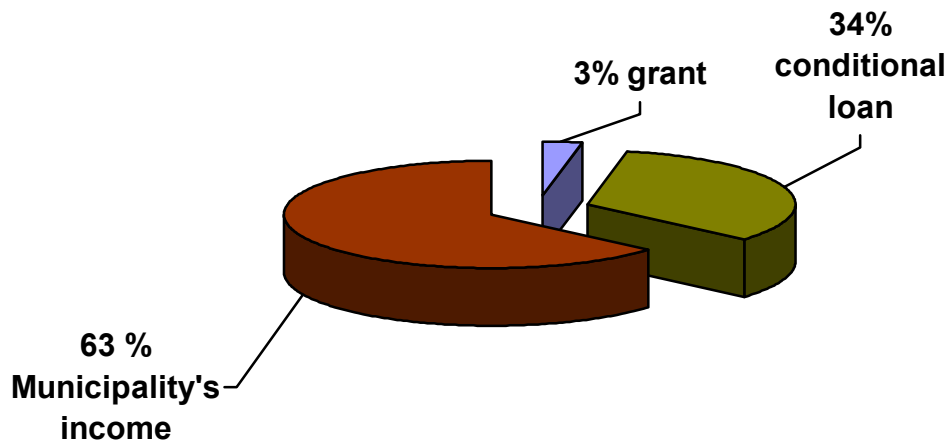
**Total of the budget: 1.729.719 leke**

Spent on :

	<b>grants</b>	<b>conditional loan</b>	<b>incomes</b>	<b>total</b>
Salaries	30123	430498	168699	<b>629320</b>
Social sec.	8890	123918	46755	<b>179563</b>
Operational exp.	12770	20117	205963	<b>238850</b>
Subventions			28000	<b>28000</b>
Transfers		5200	20000	<b>25200</b>
Unforeseen exp..			35000	<b>35000</b>
Investments			593786	<b>593786</b>
	<b>51783</b>	<b>579733</b>	<b>1098203</b>	<b>1729719</b>

As it can be seen, salaries capture the biggest portion of the budget – 63%, followed by conditional loan – 34% and grants – 3%.

This is a graphic chart of the budget of Municipality of Durres, for 2004:



**DIR of Economic Department**

Drita ALIKAJ

**vice chairman**

Emanuela GOLEMI

**Dir. of Departm. of Taxes**

**vice chairman**

Ferdinand HAXHIA

Sokol KOKOMANI