

Workshop Discussions | MINUTES

WG 2 Revenue Predictability and Sustainability of Local Governments (analyses & recommendations), as a contribution to action plan/measures on identifying policies concerning fiscal decentralization

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Organized by:	DLDP	Facilitated by:	Elvin Hoxha
Type of meeting:	Workshop with local experts	Minutes:	Erida Dobrush
Attendees (attached list):	on local finances of 5 regions (shkoder, lezhe, kukes, Diber and Durres)		

issues/questions

recommendations/answers

Human Resources of tax administration:

Leaders in the field of taxation or financial management in LGUs are not part of the selection process depending on the administration of their departments, because basically this power / attribute exercised by the Mayor of the LGU. Consequently, the administration's performance on this level leaves much to be desired. Thus, in many cases, these sectors directors are forced to meet the gaps being exposed on the ground.

It is necessary to strengthen real professional human resources capacity. Implementation of the new law on civil service at the local level and support with appropriate instruments to ensure his is an important precondition. Civil service status - certification and qualification of civil servants should be applied both at central and local level. It should be determined and verified criteria for recruitment (this is a process of regulation with secondary legislation). This will lead to ensuring the status and job security.

The low level of salaries for employees working in finance and taxation at LGUs reflects the low quality of human capacities of local government units.

High level of informality and lack of official information about the registration of businesses, buildings / facilities, population movement, or access to civil registry, leads to the difficulty of collecting revenue.

Inter-institutional cooperation should be emphasized in order to have official information, who is also a legal obligation for these institutions. The expansion of online operations system to enable real-time access to information and

	data that facilitate good management of taxes and fees.
The issue of the share / joint taxes or fees as a form of increased efficiency:	Some taxes should be shared between local and central government. In this way both governments will be more interested to be more organized and cooperating with each other on tax collection, as the local authority is closer to taxpayers and have direct chance to control it, while central government could play a supportive role in this process.
The scope of local government to promote economic development is limited, i.e. possibility of recognition / creation of free zones in the territory of LGUs to mobilize this potentiality, such as in tourist areas.	This issue may require legal improvements.
One of the most important taxes for LGUs is that of buildings tax, which can be easily collected because of possibility of verification and sensitivity to property. But getting information from mortgages / cadaster (Property Registration Offices) did not function properly, although obligation recognized by law. The same applies to ALUZN's Office (Agency of Legalization, Urbanization and Integration of Informal Areas Buildings).	There should be sanctions for not providing official information from the respective institutions, which have a legal obligation to provide public information for LGUs.
The right of local government in the administration of the fiscal package.	LGUs should have defined legal space on changing or increasing taxes (LGUs currently do not have the right to change the level set by law or reduce/cancel any fee). Diversification management of the package would make it more suitable for local conditions.
Increased autonomy and functions of local government should be gradual (especially in terms of expected reforms), leaving the possibility and providing the necessary tools and conditions for the use of new spaces.	Priority is fiscal autonomy, in order to expand working areas possibilities of LGUs.
Given that informality has become a real problem, which derives from recording and erase frequent business registration, it is necessary to implement measures for the control of this situation.	There should be a local tax on business registration, in order to control or limit the business registration informality. NRC should be closer to local government (the case of integration of NRC Offices as part of One Stop Shop) to easily exchange information and conditional institutional interactions.
Functionality of the address system, for public information purposes.	This system should be used better for more accurate and frequent

	citizens information of their obligation to LGUs
Another problem is the debts collection by immigrants, as its difficult or impossible for LGUs to obtain information of their movements.	Inter-institutional coordination to create a database of immigrants would formalize a relationship between LGUs and immigrant community.
The impact of territorial reform in local finances.	Implementation of territorial reform should be structured in phases, as there may be a drastic drop in income if it is done with immediate legal effects.
A considerable part of large businesses are operating in the territory of municipalities using their resources.	LGUs should have competences in tax collection activity associated with large business, in cases when the business center is in the territory of the respective LGUs.
It is difficult to monitor in real time flow of income within the local unit, since the information obtained from the treasury branch arrives 2 weeks late from the moment that tax and fees obligations should be disbursed.	An online system integrated in horizontal and vertical mode by all institutions would be an effective solution.
Changing the law without extensive consultation with experts and representatives of LGUs is meaningless. Currently, we are talking about a law that would change immediately upon approval of the territorial reform. The frequent legal changes regarding fiscal package will damage local planning and revenue collection.	The proposal to amend the legislative package must be serious, and based on joint consultation (with LGUs). It should be emphasized that this legislation should not be subject to frequent changes, because the local government needs a sustainable fiscal legislation.
Personal Income Tax (PIT) is paid by employees of the central and local administration, as well as by private entities operating in the territory of the local government, from which they take services.	It should be recommended changes on legal frame on TAP sharing: a percentage of TAP paid by LGUs employees should be returned to LGU.
A number of functions related to direct services to the citizens, such as primary health care and education, are still a considerable responsibility for full or shared with the central government. In this case the distribution of the fund must be unconditional in accordance to this responsibility.	Gradual transition of these services at the local level responsibility should be followed by the transfer of the respective taxes. Meanwhile, it should be assessed how local government is able to assimilate and cope in providing these services.
There are services related to common functions between local and central government. Meanwhile, there is new legislation in force for the environment, which brings higher costs for LGUs based on established standards by the above law. Also, Social Services are	Should be regulated service accountability mechanisms at the local level, identifying common services between local and central

<p>conducting a reform which consists of a very active role of local government in providing social services, which should not be limited to the type of disability payments.</p>	<p>government.</p>
<p>There is a practice which compels LGUs not to exceed the percentage limits set by central government for certain items (e.g salaries) in the administration of unconditional package!</p>	<p>There should not be conditions (in percentage) on unconditional package management, since it is unlawful, nevertheless continues to be guided by the central government.</p>
<p>It is a persistent problem the lack of transparency in central government for fiscal equalization.</p>	<p>More clear explanations, consultation and reflection time needed for local government to address the issue</p>
<p>These problems require inter LGUs collaboration in raising this issue as a whole, in order to impose central government to not meet the legal obligations and to ensure the necessary information from which LGUs can identify and improve the collection of their income.</p>	<p>LGUs should explore the opportunity and mechanisms they have in disposal to impose the central government on their demands.</p> <p>There should be prepared a package of recommendations that accomplish all the issues arises from the above.</p>

Closing: 14: 05 PM