

ROLE OF LOCAL BUDGET AND STRATEGIC PLANNING IN EFFECTIVE ACTIVITIES OF MUNICIPALITIES

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Роль местного бюджета и стратегического планирования в эффективных действиях муниципалитетов. Стратегическое планирование - систематический процесс правительства изменений и создание самого лучшего будущего. Этот процесс дает возможность муниципалитетам, чтобы использовать ограниченные ресурсы и исследовать внешние ресурсы в целях подавленных проблем инструмента. Редактирование местного составления бюджета со стратегическим планированием перспективного развития муниципалитетов очень важно в достижении эффективности местной деятельности самоуправления, и азербайджанские муниципалитеты должны предпринять усилия улучшить и развить их деятельность в этой области.

Ключевые слова: местный бюджет, муниципалитеты, планирование, самоуправление.

Constitution of independent Azerbaijani State adopted by means of nation-wide vote on 12 November 1995 paved the base for implementation of decentralization policy in our republic. Recognition of the right of citizens to local self-government in the Constitution, establishment of municipalities – local self-government bodies by way of division of state property in Article 13, transfer of its part and some part of state powers to “below” – local level, stipulation of their organization and implementation in Articles 142-146 and 150 created legal grounds for decentralization process in public administration.

The activity of local self-government bodies is arranged by municipality members elected chairmen through the sessions of municipalities. Municipality members are elected for 5 years. Sessions of municipalities deal with most important issues such as discussion, adoption and implementation of local budget (municipal budget) and consideration of reports. Commissions composed of municipality members elaborate socio-economic, ecological, public utilities and other development programmers, arrange their implementation, carry out other powers entrusted to municipalities by law. Implementation of aforesaid powers is conducted with participation of public taking into account public opinion and this is possible by means of involvement of public in elaboration and realization of programmers and arrangement of public surveys.

Decentralization policy is displayed in the process of organization and implementation of local self-government in the following directions:

- transfer of a part of powers and functions of central authorities to local self-government bodies, establishment of financial and socio-economic grounds;
- rendering of methodological assistance by state bodies to local self-government bodies;
- arrangement of administrative supervision under local self-government bodies;
- rendering financial, technical assistance, strengthening, to some extent, local self-government bodies through joint pilot programmers with NGOs;
- Creation of opportunities for formation of local budget as a result of legal and methodical assistance of state bodies, establishment of relations with local state bodies.

Consequently, decentralization policy is directed to the development of independent state, democratic state-building process and establishment of effective state and local self-government system. This policy demands elaboration and realization of development and assistance programmers in the field of local self-government of the state and effective organization of mutual legal and financial relations system between state bodies and municipalities.

Well development and effective activity of local self-government extends the possibilities of organizations of their effective administration system by creating public and alternative services. Meanwhile, improvement of local self-government increases perspectives of relations with public as well as extends possibilities to resolve local issues. It should be underlined that the establishment of relations of municipalities with public bodies and local public is of great importance in implementation of state policy in the field of improvement of local self-government.

Formulation, adoption and implementation of by municipalities is of utmost importance. Without regard to its status, each public body (state or local self-government institution) makes use of public assets and, therefore, articles spent or proposed by that institution to spend should be lawful and public assets should be used effectively. Such institutions bear liability before voters in democratic administration systems and thus may not resolve such an issue related to expenditures internally as in private companies. While drawing up a budget, it is necessary to take into account plans, particularly strategic plans.

According to the legislation, the budget system of Azerbaijan is composed of the following (the Law of the Republic of Azerbaijan "On budget system"):

1. State budget of the Republic of Azerbaijan;
2. Budget of the Autonomous Republic of Nakhchivan;
3. Local (municipal) budgets.

As is well known, the budget is a financial document reflecting real purposes and targets of any institution. The budget reflects financial resources spent by the institution to carry out daily activities and pursue its goals as well as existing revenue sources and amounts. The budget should be drawn up on the basis of strategic plan covering several coming years, because, in case of lack of such plans, annual plans covering short period will fail to determine needs to be arisen in future. The budget may be considered as an administration tool. The budget is a mean for activity planning and supervision in order to use resources as effective as possible. The budget is a supervisory mechanism to secure effective use of resources, carry out respective functions and realization of measures with the framework of assigned financial means.

Local budget is considered to be a municipal budget. Local budget has a several features and covers the following issues:

Local budget is independent. According to the law, municipalities elaborate, adopt and implement their budgets independently. None of other institutions or officials may be entitled to decide how budget should be used. However, the independence of local budget does not mean that municipalities will implement budget policy at their own discretion. Local budgets should be in conformity with budget system existing in the state and common principles of sole budget classification provided by law.

Local budget is in the property of municipalities. Municipalities may implement property right, use and dispose of budget in the order provided by law.

Municipal budget should be transparent. Transparency is an essential principle in municipal activity. Budget has its main role in this principle. It means that the municipalities, while elaborating or implementing draft local budget, should involve public in this process and regularly inform the public of the budget or create conditions for awareness of the public about the budget. The budget plays a great role as a auxiliary mean to transparency. It is not so easy to achieve it, however it is possible to assess achievements related to transparency by way of development and observing of principles and practice of transparency and to earn trust of voters. And this gives an impetus and creates conditions for effective local self-government.

Planning of budget on the basis of its indicators in elaboration holds a special place. Municipal budget is mainly planned on the basis of the following indicators:

Municipalities plan budget proposals for the next year on the basis of their revenues and expenditures. According to the Article 9 of the Law On Financial Fundamentals of Municipalities draft local budgets shall be elaborated on the basis of assessment of

existing and future administration activities and socio-economic plans and purposeful programmes of municipalities.

Revenue part of the budget is elaborated on the basis of certain revenue sources. Therefore, while analyzing revenue part of the budget scope of revenue should be defined. To be more precise, by analyzing budget of previous year increase or decrease of revenues coming from various revenue sources should be determined.

Along with other issues, right distribution of expenditures is also very important factor. Expenses part of the budget needs more serious approach and special attention to this issue is inevitable. First of all, one should look to municipal practice related to expenses.

Local budget process is an activity of local self-government bodies related to planning, discussion, adoption and implementation of their budgets. Local budget process covers four levels of budgetary activity:

1. elaboration of draft local budget;
2. discussion and adoption of draft local budget;
3. implementation of local budget;
4. supervision over implementation of local budget.

In order to achieve effective results of local budget process it should be elaborated and implemented in conjunction with strategic plan. This process should be carried out according to law and municipal statute in the following succession. Municipalities should commence elaboration of the draft budget 11 months before the start of next budget year. Initial forecast of the budget should be prepared by 15 April of the current year and submitted to the municipal session. In order to get certain financial assistance from the state draft local budget adopted by first decade of May, at the latest, should be submitted to the Ministry of Finance together with necessary documentation reflecting municipal activity.

Preparatory measures related to draft local budget should be continued and starting from July of the current year discussions in relevant municipal commissions should be commenced on the basis of achieved indicators of municipal budgets. Those discussions should be completed in September. On 15 October relevant commission (budget commission of the municipality) should submit draft budget to municipal session for discussion.

Securing of transparency in municipality should be reflected in budget process. From this point of view, inhabitants residing in this territory should be informed of the draft budget. This activity should be arranged by municipal commissions. Thus, draft local budget should be adopted at the municipal session by 20 December, at the latest.

Relation between budget and strategic plan is a first step towards establishment of municipal activity. Strategic plan is a "lighthouse" for municipality and creates possibility for planned and expedient implementation of its activity. Those municipalities without strategic plan shall not have any idea about what to achieve and how to administer.

At the same time, strategic plan is of great importance for municipalities from the point of view of effective use of budgetary assets. Existence of numerous problems demands concentration of sufficient financial means in municipalities in order to tackle those problems. Despite the fact that municipalities are interested in tackling problems occurred in their territory it is impossible to resolve those problems in a short period of time due to lack of financial means. Therefore, municipalities should use financial means carefully, analyze problems deeply and define the way of solving those problems within certain time frame. In other words, municipalities may solve their problem, once they have exact strategy, namely strategic plan only.

Strategic plan defines main purposes of municipality and these purposes are being accepted by the community and municipal officials. Therefore, while distributing expenditures for the next year, municipalities should necessarily take into account these purposes and carry out distribution in relevant manner.

In a number of cases, failure to implement budget plans and decrease of revenues to some extent is possible. In such case, municipalities should make new amendments on the basis of purposes reflected in strategic plan. Generally, budget should always be in conformity with the strategic plan and should support its implementation. Strategic planning is a systematic process of achievement by municipality and community of their purposes and definition relevant methods. This process defines future perspectives, purposes and functions of municipality, suppresses relevant problems and determines goals, targets and measures which are necessary for tackling those problems. Strategic planning governs realization of programmes, taking into account strong and weak features of municipality as well as its external risks and capacities. Strategic planning assists in designation of priorities for determination of expected perspectives and future activity together with other relevant stakeholders.

Strategic planning secures planning and elaboration of issues in a wider context. It covers important spheres of the activity, strengthen mobilization of possible resources and realization of effective activity. Strategic plan should mainly answer to the following questions: What is a current level of municipal activity? Which level should we pass through in the future? Which internal and external factors are preventing us from or assisting us in pursuing long-term objectives? Which measures should be implemented in order to pursue objectives? How can we achieve success in realization of objectives and dealing with issues? How can we learn the date of achievement of our goals?

Strategic planning is a systematic process of administration of changes and creation of best possible future. This process gives an opportunity to municipalities to use restricted resources and explore external resources with a view to tackle problems suppressed. Consequently, strategic plan documents development course of the municipality. In conclusion, benefit of the strategic plan is ensuing from the following factors:

- promotion of strategic sense and activity;
- improvement of decision-making process;
- support of liability and activity of municipality like a single institution;
- assistance to decision-makers in carrying out their functions;
- creation of conditions for detailed plans on business and economic development, communications, transport, services and investments elaborated by municipality;
- development of organizational structure of municipality.

Thus, linkage of local budget process with strategic planning of perspective development of municipalities is of great importance in achievement of the effectiveness of local self-government activity and Azerbaijani municipalities should make efforts to improve and develop their activity in this field.

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