

## **TRANSPARENCY IN MANAGEMENT OF PUBLIC FUNDS**

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### **Abstract**

*Increase of the participation of the state in economic and social policy, represents a quite clear historic trend of 20th century. Such role taken by the state has been based on continuous technological development and economic growth, as a result of a number of tasks and services at public level, that are increased steadily. The vision of the welfare state also appeared in Kosovo, as a goal set by the government, but the country's economic productivity was less able to provide the necessary re-sources for the state to act accordingly. Nowadays, issues related to transparency and accountability in the use of public funds, as well as strengthening the fight against corruption have come increasingly to the fore. Transparency is a clear definition of how public resources should be used and how they are used in reality. In order to more effectively manage its government budget and to give more flexibility its only instrument the real policy, Kosovo needs to start developing a government debt market.*

*Keywords: Public funds, Transparency, Budget, Expenses, Policy*

### **INTRODUCTION**

Public Financial Management (PFM) entails several important processes, such as budget implementation, prioritization, cost control, accountability, and transparency. During the process of state-building it is very important to invest in building human capacity that will build an effective system for public finance management. On the contrary, the failure to establish an effective system creates possibilities for abuse and therefore dissatisfaction for services to be provided by the government to citizens.

So far, there have been issued a number of laws dealing with the Kosovo Budget System. A good step is adoption of Law on Public Financial Management and Accountability. However, still not determined normatively a modern, efficient and transparent budget.

In the field of regulation of the economy - and this is especially valid in the case of efficient management of public finances - no eternal solution. New regulations could solve two issues that are central. On the one hand, the right and responsibility of political choice, while on the other institutional guarantees financial sustainability of the budget should be provided.

Budget planning that covers a longer period of time and looks into perspective, take and requires the operation of a system of financial macroeconomic planning that regulate nature of the market economy, but is structured more broadly. It gives a clear definition of the task, transparent planning, a budget approved by the intent and requirements of production, and ethical consistency to make the show more measurable.

During the past 20 years the public sectors of the Western countries have undergone great change where governments try to respond to the technological challenges, globalization and international competition. It has been argued that this period of change represents a paradigm shift from the traditional model of public administration, in public management. Globalisation is necessary to reform the administrative structures within the government. Education, taxation, health care, the environment, fiscal and monetary policies provide important roles for the public and managers in the public service. Instead of an era of changes in government, or a era of changes in the private sector, now it is an era of change in the two sectors. It is argued that the traditional model of administration is replaced by public management as the culmination of a process of reform that has occurred in many countries since late 1980. The main reason for this difference is that the old model simply does not work very well. Political and community leaders consider the service they received from public service as poor and without contact with reality. Recent changes in the public sector have led to the fundamental question of its role and place in society. The main point here is that a new paradigm that regulates the management of the public sector has emerged, one public service administration that moves toward management.

find those differences and to describe the behavior of a corporates in "planetary market" and the globalization already.

## **THE CASE OF KOSOVO**

### **The functioning of the economy of Kosovo, serious problems and problems that have come up for reasons of internal and external**

In order to manage more effectively its government budget and to give more flexibility to it only instrument real policy, Kosovo needs to start developing a government debt market. Government securities have the potential to offer free access to government finance, since unlike ordinary loans, bonds can be traded in the secondary market. In the long run, this

instrument can be used to manage effectively public debt. Also, due to the lack of currency risk and inflation risk, government securities in the euro currency will have enough credibility for investors.

Up to now there is a consensus that the effects of the global economic crisis in Kosovo have been modest at best. However, as Kosovo seeks further economic integration, it can not remain shielded from shocks in the future, therefore will need to develop a policy of farsighted fiscal management. What emerges as an important implication for Kosovo is that fiscal policy as the sole instrument, when there is significant, spending pressures that strain government finances that can be risky, especially when financial growing deficits becomes more difficult.

The principles of operation of public financial management system should be reflected in the solutions offered by specific regulations. According to my findings consideration the following will be required:

1. The principle of popular representation,
2. The principle of limited authority,
3. The principle of transparency,
4. The principle of publicity,
5. The principle of audit
6. The principle of financial law,
7. The principle of performance orientation,
8. The principle of foresight,
9. The principle of sustainability,
10. The principle of wholeness.

Public finance system is taking an increasing role in the provision of public duties and increasing success in Kosovo. According to my findings, 'These have three important messages. In an important message can be summarized as rules (regulatory system) of management of public funds that should be applied on the basis of solid core in a way that will ensure the implementation of these principles in the overall system with regulations.

The introduction of such rules is required to be prevented from the beginning and exceeds the limits set by the budget (based on budget rules). Kosovo Budget revenues, significantly are impaired by the presence of the informal economy (sector) and high fiscal evasion. It is clear that all forms of informal economy directly damage budget revenues of Kosovo, complicating the construction of the economic structure of the country, distort the market and competition, do not stimulate foreign investors, and makes taxes to concentrate in a narrow circle of regular taxpayers, who are forced to bear higher tax rates, as rates of

compensation of loss budget. In addition, the rules of the external audit and internal audit should be harmonized.

Internal Audit Law, aims to enhance the level of discipline and efficiency in the management of public finances by obliging the creation of internal oversight mechanisms. Internal audit checks compliance of the institution's activities with laws, with particular focus on the law on public financial management, public procurement law, and other applicable regulations. The institutional system of internal audit comprises an Audit Committee that monitors the work of internal auditors operating within the Internal Audit Unit. Moreover, audit reports from external companies often lack two key details that are required to conduct an audit quality. One of the criteria that these companies did not meet, is detailed reference to laws in cases where the auditor finds irregularities.

### **IMPLEMENTATION OF THE CORE BUDGET PROGRAM**

Current problems regarding the transparency of the budget, the budget surplus, participation of IPV in policy budget, as well as those dealing with communication with taxpayers, talk about a number of shortcomings in the management of Kosovo's budget.

The global economic crisis has destroyed the process of the slow consolidation of public finances development, and discovered again that economic policies and budget for more than the past two decades have not been coherent and enough, and structural weaknesses that lead to efficiency and problems competitive should be eliminated gradually to promote the gradual modernization and reform the public finances.

The claim is that measuring the performance and its use in a wide field of performance management is a worthwhile exercise as long as it is done in full knowledge of its limitations. In a short time it can provide relevant information to improve decision-making. It may be useful to inform the budget process, without a pretense that there can be no direct link between budget and performance. It can also provide useful information of accountability for public debate. Indeed there has been a significant increase in the amount of information and the impact of government policies and programs that are reflected in budget documents, annual reports, etc ... It has, for the most part, to contribute to more transparency in government, a major factor in improving performance. Of course, there are difficulties in measuring performance and larger ones are in the public sector, but this does not mean that no attempt should be made. The original idea was that the management reformers to provide some substitute measures for the use of profit and other measures in the private sector. Without some effort into the measured work, other aspects of the management program will not function. It is important, however, that performance can be developed for specific needs in public sector. It is unlikely that any action

will be as good as profit, but there are several reasons why the performance measures will continue to be used. Firstly, individual or public officials can see the use of indicators of evaluation as a threat, but it could be a possibility, noting that good practices and good performance, two things of which can be awarded. Secondly, like any public activity that is under threat to be reduced or omitted in the current climate, a function or position in which the measures are inadequate performance is much more vulnerable. Thirdly, there is little point in setting clear objectives, or financing programs accordingly, unless there is a means by which progress towards the objectives can be monitored.

## **FINANCIAL MANAGEMENT**

Financial management by government is deeply political, but instead of usurping the political process, financial reforms will hopefully increase it by providing more and better information. With the allocation of funds for some purposes rather than others, the government can change the shape of society. As the demands for government spending are always much larger than its capacity to pay, there must be some way to decide who will be favored, and who will not. There may be technical ways of establishing to find, say a new hospital, but there is no technically way to choose between a hospital and a school, or between a school and a road. Governments are agreed with funds somewhat with quite diverse and competitive enough political requirements. At the highest level of government, the only way to decide which of the favors of expenses, or penalized by the special tax forms, through the method is imperfect, sometimes irrational, political agreement. Therefore, the budget should ultimately be a political document and procedures should allow for this fact, which means there must be limits to the rationality of financial management systems.

Every government requires a system of accountability, so that it acts in a manner that is widely adopted by the community. Accountability is essential for every company that claims to be democratic. Being democratic requires an adequate system of accountability. Governmental organizations have been created by the public, for the public, and must be turned to be accountable to the public. The relationship between citizens and the government can be considered as a key relationship because citizens have given their consent for someone else to govern in their name. By agreed to this, then they need to satisfy their interests being served. The relationship between government and citizen accountability depends on the system, where non-governmental organizations perform its functions and citizens allow it to do, so provided that the powers are not exceeded and that the agency is responsible. The government is distinct from other social institutions by its ability to be binding, its power is ultimately based on force.

In order to more effectively manage its government budget and to give more flexibility its only instrument the real policy, Kosovo needs to start developing a government debt market.

In addition to the efficient management of public finances, become equal adjustment and proportional taxation determined of the sub-systems of public finance, processing and approval, execution and control of the budget sub-systems for more regulation of the management and control of public property management. In terms of "mathematics" the central budget is in order, however, its regulation and efficient management left much to be desired.

## CONCLUSION

Enough has been said to show that fiscal transparency and accountability are crosscutting attributes of all public sector financial structures and processes. They can be enhanced through a public financial management improvement programme. The components of such a programme would vary from country to country. The first step is not to see how a particular model can be introduced into a country, but rather to analyse the existing financial management arrangements and identify the weaknesses in meeting the fiscal objectives of the country.

Forecast and inadequate budget planning in general has been a factor in explaining the unpredictability. Levels of differences in the composition of expenses recorded for each of the past three years are mainly attributed to the way of the formulation, presentation, and execution rather than the existence of the new-year budget allocations,

Is not identified what are the tasks that the state is obliged to provide. Thus, the state can not create an appropriate line between tasks and resources required for their delivery,

Harmonization of public tasks and resources required to perform these tasks has not been adequate and it was just that and often exacerbated by the negative effects of political cycles,

The transformation of the public sector in general and its reformation, transformation of the organizational system within the reform, modernization of the institutional system of financial management and regulations, the order of tasks, the introduction of performance evaluation, employment, modern methods of production and financing can not be extended further, and

Compliance of statistical data and accounting is not appropriate, and secured access to the system is lost in this area.

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