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Capstone Project: Zero Based Budgeting in KCS

Implementing Zero Based Budgeting Method in Kosovo Correctional Service

Burim N. Haxholli

May 2015

“Submitted as a draft Capstone Project Proposal in partial fulfillment
of a Master of Science Degree in Professional Studies
at the American University in Kosovo”

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ACRONYMS

MOJ	Ministry of Justice Kosova
DOJ	Department of Justice Kosova
KCS	Kosova Correctional Service
ZBB	Zero Based Budgeting
PPBS	Planning Program Budgeting System
EU	European Union
USA	Unites State of America
MF	Ministry of Finance
CFO	Chief Financial Officer
FMC	Financial Management

Abstract

This project addresses the need on improving performance in budget planning through Zero Based Budgeting and its implementation in Public Sector. Project will focus on Kosovo Correctional Service and will expand through its comparison with other local and central budgeting organizations within Kosovo and therein other countries of EU, USA.

The project starts with the fact that there is an ongoing problem with budget planning in KCS / MOJ and furthermore the research will be expanded through auditing reports, budget planning, implementation problems and its tights with strategic planning. In addition, this project will address through ZBB a role model to improve budget performance and accountability of well-functioning departmental budgeting, which is crucial for final budget presentation.

Moreover, it will present similar international practicing of Zero Based Budgeting, identify similarities and differences between research departments, and present a set of recommendations to improve the current experience in departmental budgeting, accountability in performance, governance, capacity, reporting and its effectiveness.

1. CHAPTER ONE

1.1. Kosovo Budgeting Practices

Budget process and the institutions involved in this process The Ministry of Finance in coordination with budgetary organizations prepares the Kosovo Budget, which is approved by the end of the year, by the Assembly of Kosovo. The budget for the next year is prepared during the current year through a number of actions known as the budget process. Until it reaches a final form as the Draft-law on budget, and before it is submitted for approval in Assembly, the budget process is usually conducted between the Ministry of Finance and budgetary organizations. The latter, according to MF guidelines, submit their budgetary proposals according to plans and objectives defined by the work plans. (GAP, 2013)

According to the Law on Public Financial Management and Accountability, "budget organization means any authority or public undertaking that directly receives an appropriation." (Assembly of the Republic of Kosovo, 2008).

In the process of drafting the budget, the Ministry of Finance and budget organizations interact with each other in two directions: from bottom-up – when budget organizations have the freedom of planning the expenses and requests for budget depending on their plans; and, from top-down – when budget organizations are allocated the budget taking into account the budget and expenditure of that organization from the previous year, but not by taking into account the budget needs of these organizations. As in many countries, Kosovo applies a mixed system of the two directions, which means that budget organizations prepare or propose their budget for expenditure within one year (bottom-up direction) but are limited in this preparation because of the budget ceilings, as it is known in this field (top-down direction). (GAP, 2013)

Description: Officials of Public Financial Management**1.1.0. Article 10. Chief administrative officer.**

10.1 A chief Administrative Office shall have principal legal responsibility for ensuring that his/her budget organization, autonomous executive agency or public undertaking, and its personnel, thoroughly and adequately comply with, observe and implement all applicable provisions of the present law and the FMC Rules. (Assembly of the Republic of Kosovo, 2008, p. 14)

1.1.1. Article 11. Internal Auditor

11.1 Every budget organization, autonomous executive agency and public undertaking shall comply with all applicable requirement of the Law on Internal Audit, including these provision imposing a requirement to establish and maintain an Internal Audit Unit or to otherwise procure the services of and Internal Auditor. (Assembly of the Republic of Kosovo, 2008, p. 14)

1.1.2. Article 12. Chief Financial Officer

In the case of CFO of budget organization or a autonomous executive agency, such CFO shall have the authority and responsibility for : (i) developing the proposed budget and appropriations request of the budget organization or autonomous executive agency; (ii) ensuring that all transactions are accurately recorded in the Treasury Accounting Record; (iii) ensuring that all legitimate invoice received are promptly submitted for payment through the Treasury system; (iv) overseeing and supervising all aspects of budget reporting ; and (v) any function delegated to the CFO in accordance with the FMC Rules. All Work of the CFO must strictly comply with the FMC Rules. (Assembly of the Republic of Kosovo, 2008, p. 14)

1.1.3. Article 13. Procurement Officer

13.1 Each budget organization, autonomous executive agency and public undertaking shall have a Procurement Officer, who shall be responsible for conducting the budget organizations procurement activities in accordance with the Law on Public Procurement. (Assembly of the Republic of Kosovo, 2008, p. 14)

1.1.4. Article 14. Certifying Officer

14.4 The certifying Officer shall be responsible for a) ensuring that the applicable terms of public contract have been fulfilled before any payment under such contract is made or authorized; and b) ensuring that the expenditure of public money under any public contract is one in accordance with the FMC Rules. The Certifying Officer shall also perform any other task required of a Certifying Officer under the FMC Rules.

14.5 The Certifying Officer shall identify and promptly report in writing all of non-compliances to the Chief Administrative Officer, the CFO and any other senior official of the budget organization, autonomous executive agency or public undertaking. (Assembly of the Republic of Kosovo, 2008, p. 14)

1.2. Role and the Mission of the Ministry of Justice

To ensure efficient, independent and impartial judicial and prosecutorial system, safe and equal for all the citizens. Ministry of Justice according to the international standards ensures professional treatment of the detainees, sentenced prisoners, victims of violence, and victims of trafficking and protected witnesses. Ministry of Justice drafts the legislation in accordance with the constitution of the Republic of Kosova and harmonizes the laws with the EU standards,

develop international legal cooperation, and ensure easier access in the justice institutions for the minorities. (Justice M. o., 2015)

Departments within MOJ: Kosovo Correctional Service, Kosovo Probation Service, Forensic Department, Department of Legal Affairs, Department for International Legal Cooperation, Department of Finance and General Services, Department for European Integration and Policy Coordination, Department of Procurement, Office for Statistics. (Justice M. o., 2015)

1.2.1 Kosovo Correctional Service

KCS is responsible for the administration of prisoners, detainees, minors under the laws of the Republic of Kosovo and European conventions and other regulations issued in the respective institutions. KCS is responsible for the supervision and management of correctional institutions (6 detention centers, 3 Correctional Centers and High Security Prison) in different levels of security and supervision of persons under the care of KCS and staff in working (Justice M. o., Kosovo Correctional Service, 2015)

Table 1.MOJ Budget for Year 2015 - Spending of funds broken down by economic categories

Spending of funds broken down by economic categories	Amount €	%
Wages and Salaries	9,762,594	62.59%
Goods and Services	3,807,527	24.41%
Utilities	605,313	3.88%
Subsidies and Transfers	0	0%
Capital Investments	1,422,500	9.12%
Total	15,597,934	100%
*Employees	1,626	
*Prisoners	*1500	

(Finance, 2015 Budgeting, 2015) * Prisoners number is of FY2013.

1.3. Methodology

This study uses method research designed to determine whether current budgeting method has positive or negative impact in KCS/MOJ through current financial method in government of Kosova activity indicators.

The quantitative piece of this research involves budget and financial authorities to clarify their opinion about gaps of current budgeting and to answer a question; can it be improved through a ZBB process? An online survey was sent to public administration finance directors and budget managers consisting of 11 questions examining the budget preparation level, the other questions directly addressed whether zero-based budgeting is better than incremental budgeting, and which budget categories are weaker due to a lack of budget preparation. Survey measure was prepared with simple questions, and responds were calculated immediately through Google form application. (See Figure 1.1, 1.2 and 1.3 below for statistical data).

Statistical data of the respondents from online questionnaire on evaluating the degree of budget forecast for main budget categories in Republic of Kosova.

Figure 1. Presenting Budget Forecast Evaluation

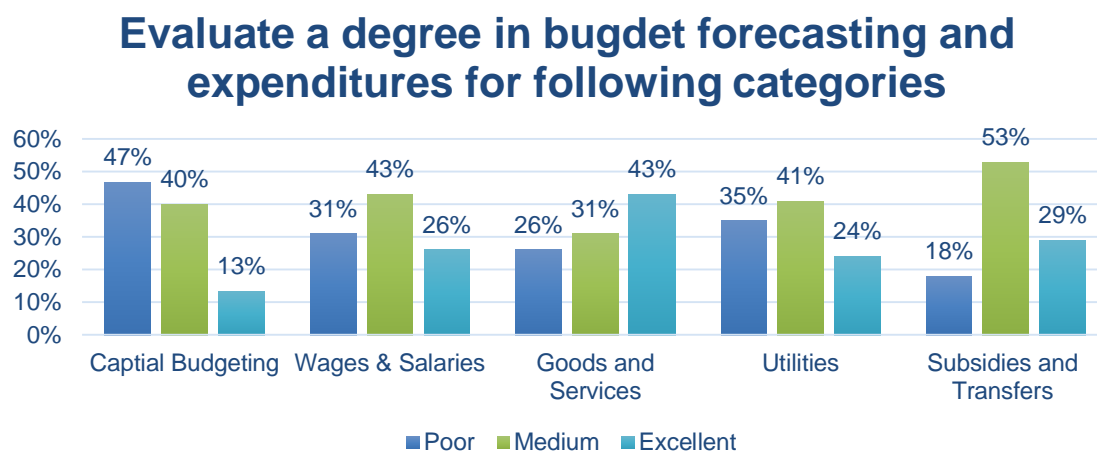


Figure 1. The survey shows measurement of what are the main categories effected by weak budgeting preparation and those are: Capital budgeting; b) Wages and Salaries; c) Utilities; d) Goods and Services; e) Subsidies and Transfers.

Figure 2. Survey responds on budget categories

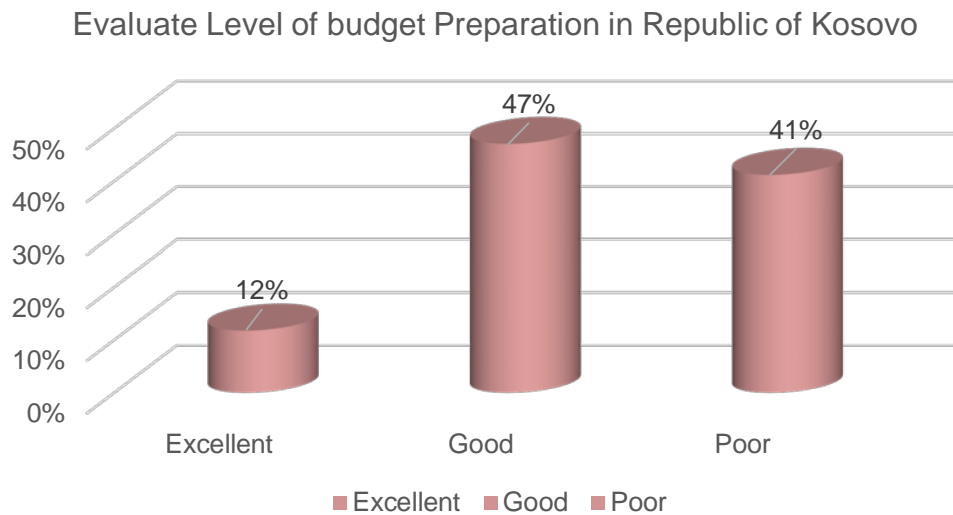
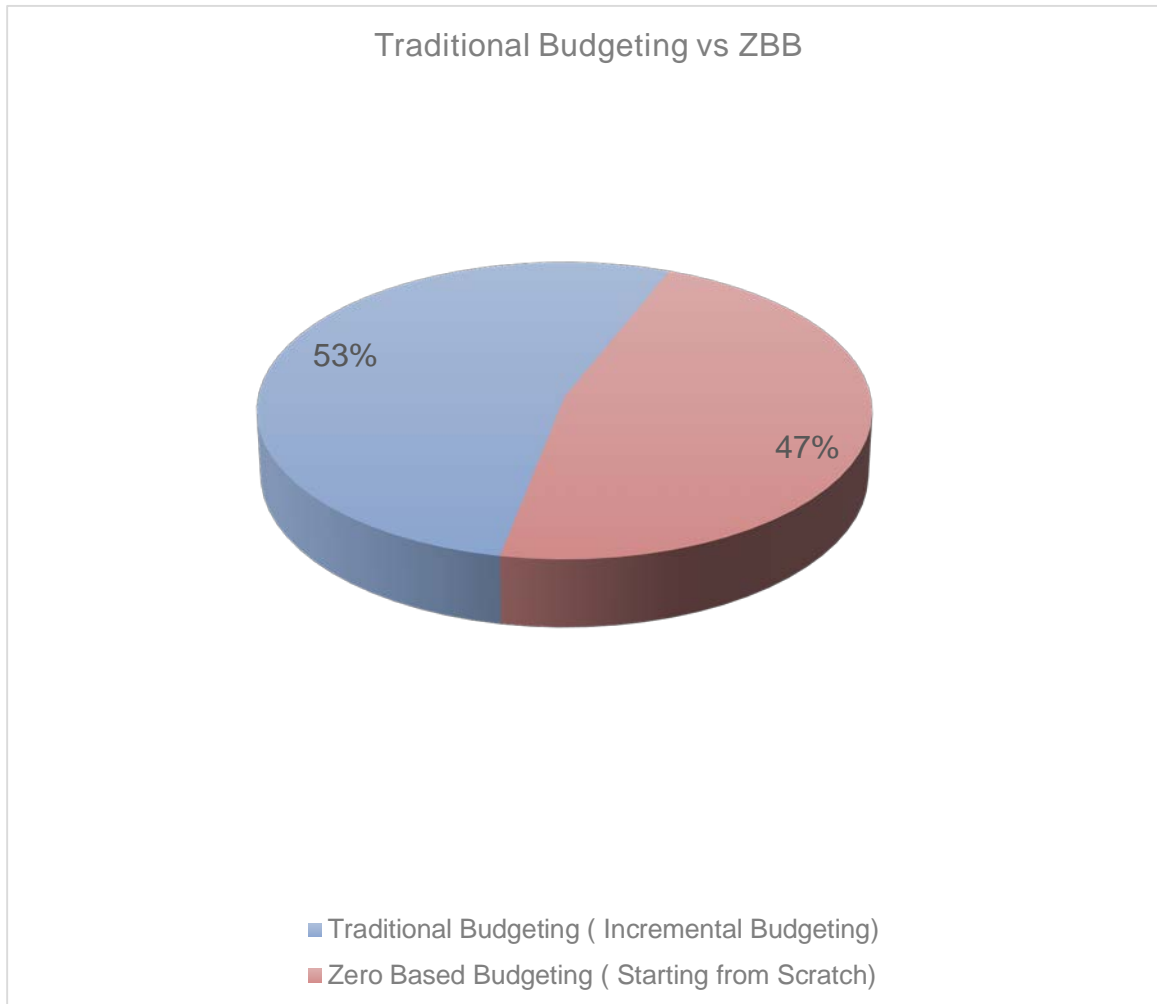


Figure 2. Statistical data of the respondent from online questionnaire on evaluating the level of budget preparation in Republic of Kosova

On Figure 2. The questionnaire shows that only 12% are happy with current level of budget preparation in Kosovo and others 47% says its good and 41% believe that budget preparation needs improvement.

Figure 3. Survey on Traditional vs. ZBB Budgeting



On Figure 3. The questionnaire shows that only 53% of budget professionals in Kosova support traditional budgeting and the rest of 47% think that through ZBB can be adopted to our government services. A lack of this questionnaire remains at responds of those that never heard of ZBB before.

2. CHAPTER TWO

2.0. What is Zero Based Budgeting?

ZBB begins with a zero balance and formulates objectives to be achieved. All activities are analyzed for the current year. The manager may decide to fund an existing project at the same level as last year after the review. However, it is most likely that funding will be increased or decreased, based on new information. It is also possible that an alternative way may be used for that project, based on current cost or time considerations. The ZBB approach sets minimum funding amounts for each major activity (e.g., product, service). Amounts above the minimum level must be fully justified in order to be approved by upper management. Each program, product, or service is looked at each year to determine its benefit. If an activity cannot be supported as having value, it is not funded. The manager is not concerned with the past but rather looks at the current and future viability. The manager, in effect, discards the deadwood. Programs with inefficiencies, waste, and anything that no longer makes financial sense are dropped. (Shim, 2011, p. 322)

The ZBB process involves:

1. Developing assumptions
2. Ranking proposals
3. Appraising and controlling
4. Preparing the budget
5. Identifying and evaluating decision units (Shim, 2011, p. 322)

SWOT - Zero Base Budgeting Strength and Weaknesses

Table 2. Strengths and Weaknesses of ZBB

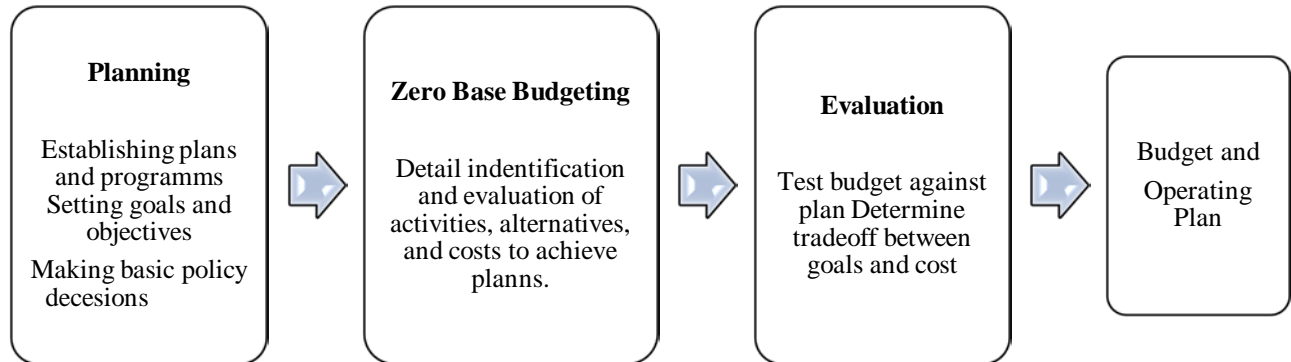
Strength and weaknesses breakdown	
Strength	Weakness
<ul style="list-style-type: none"> ▪ Efficient Allocation Of Resources ▪ Detects Inflated Budget ▪ Drives Managers To Find Cost Effective Way To Improve Operations ▪ It Is Adaptable ▪ It Is Based On Need Rather Than On Historical Data ▪ Encourages Cost Reduction ▪ Motivational ▪ Decentralized ▪ Communicative ▪ Easy To Check 	<ul style="list-style-type: none"> ▪ Only really applicable to a service environment ▪ Time consuming ▪ Difficulty in creating the budget ▪ Requires additional training for staff and managers ▪ Causes dissatisfaction ▪ May cause budget triggering deficit (if it's not able to cover the planned budget) ▪ May cause budget increase for certain categories ▪ May lead to lost continuity of action and short term planning

2.2. The Planning and Budgeting Process in Perspective

Many managers have suggested that zero base budgeting be renamed “zero-base planning” or “zero-base planning and budgeting” because the process required effective planning and immediately shows up any lack of planning. The planning and budgeting process can be contrasted as follows: (Pyhrr, 1973, p. 2)

- Planning identifies the output desired.
- Budgeting identified the input required. (Pyhrr, 1973, p. 2)

Figure 4. Zero Based Budgeting Process



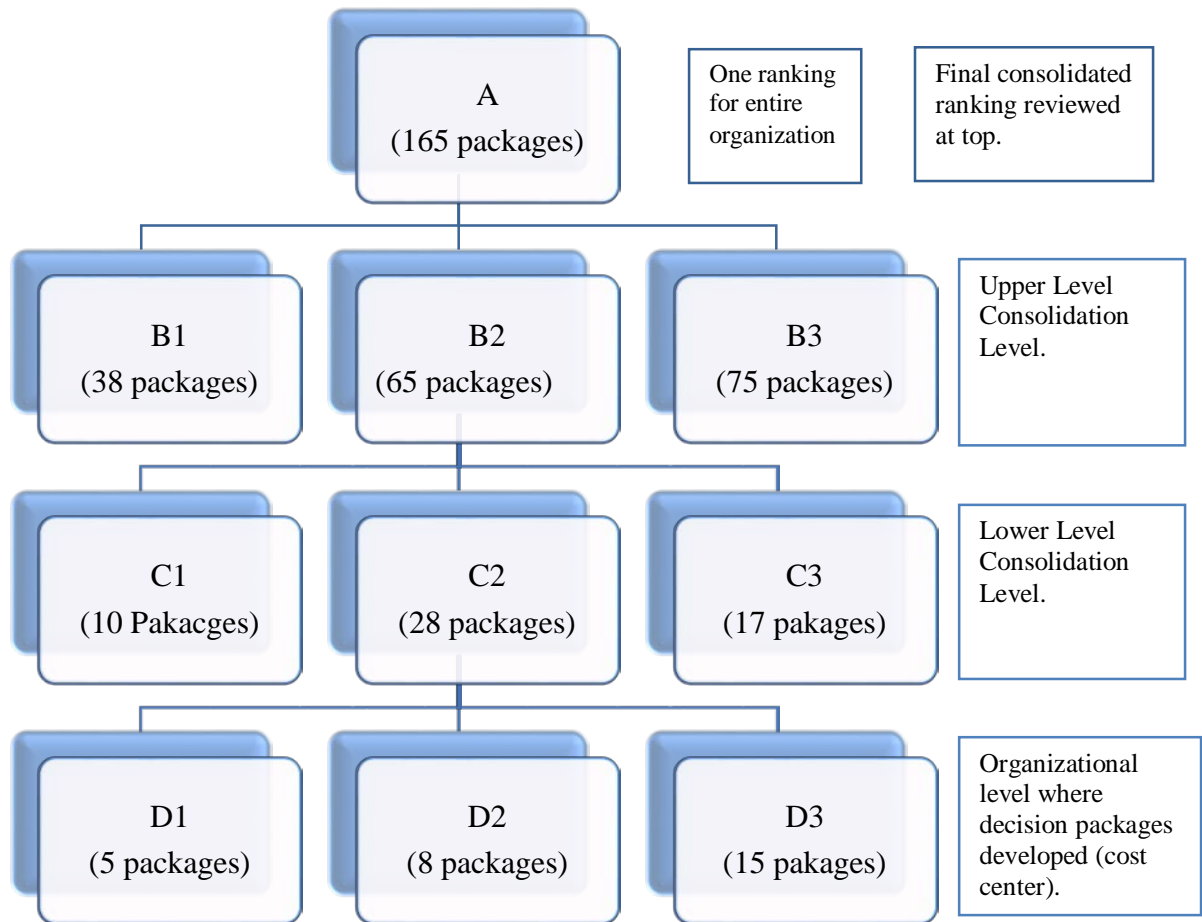
(Pyhrr, 1973, p. 3)

Raking is Simple 5 Step Process:

1. Given agreement on the standard to be used (ROL, DCF etc.).
2. Rank all programs from top to bottom based on that standard.
3. Determine the cutoff point, considered available resources or affordability.
4. Approve and fund all programs above the cutoff level and defer or eliminate all others.
5. Communicate the decision to the upper management. (Shim, 2011, pp. 61,62)

Some other methods or processes are by voting, using multiple standards, matching ranking with strategic planning of the organization. (Shim, 2011, p. 62)

Figure 5. Decision Packages Sample



(Pyhrr, 1973, p. 16)

There are two basic steps of zero-base budgeting:

1. Developing “decision packages.” This step involves analyzing and describing each discrete activity – current as well as new in one or more decision packages.
2. Ranking “decision packaged.” This step involves evaluating and ranking these packages in order of importance through cost/benefit analysis object.

(Pyhrr, 1973, p. 5)

Step 1. Developing Decision Packages

A decision package identifies a discrete activity, function or operation in a definitive manner for management evaluation and comparison with other activities. This identification includes:

- Purpose (or goal and objectives)
- Consequences of not performing activity.
- Measures of performance.
- Alternative courses of action.
- Costs and benefits. (Pyhrr, 1973, p. 6)

Step 2. Ranking. Developing Decision Packages

The ranking process provides management with a technique for allocating its limited resources by making it concentrate on these questions: “How much should we spend?”, “Where should we spend it? (Pyhrr, 1973, p. 15)

In ranking proposals, upper management will rely heavily on the recommendations made by managers who have a keen knowledge of their decision units. Quantitative and qualitative factors must be considered. A cost/benefit analysis should be performed for each decision unit.

The ranking of decision packages goes in the order of decreasing benefit. The manager must identify those products or services that are the most crucial. The highest priority should be assigned to the minimum increment of service below which the unit cannot operate effectively.

Top management performs the final ranking after obtaining initial recommendations of managers within the company's divisions, departments, and cost centers. If a manager's recommendations are rejected, he or she should be notified why. (Shim, 2011, p. 324)

Table 3. Decision Packages

Sample Of Decision Packages

Product A–Decision Package

Alternative A	\$200,000	1 Year
Recommended Way	\$250,000	6 Months
Alternative B	\$350,000	2 Months

(Shim, 2011, p. 325)

2.3. Where Zero Based Budgeting Can Be Used?

2.3.0. Industry and Government

The Zero-based budgeting process consists of identifying decision packages and then ranking them in order of importance through a cost/benefit analysis. Therefore, zero-base budgeting can be used on any activities, function, or operations where a cost/benefit relationship can be identified- even if this evaluation is highly subjective. (Pyhrr, 1973, p. 19)

2.3.1. Zero Based Budgeting and Planning Program Budgeting

Zero base budgeting reinforces PPB efforts because it provides a solid foundation of information about functions and operations. This foundation can reinforce and improve PPB efforts in several ways, through Program structure, Issue identification, Special analysis, Program and financial plans (projections, financial data, and program measures). (Pyhrr, 1973, p. 154)

Based on Peter Phyrre chapter regarding ZBB and PPB:

- Zero-base budgeting and PPB are compatible.
- Zero-base budgeting fills the critical gaps in PPB.
- Zero-base budgeting reinforces PPB.
- PPB can provide the planning and policy framework required to effectively implement zero-base budgeting. (Phyrre, 1973, p. 152)

Zero-based budgeting has been identified as:

An operating planning and budgeting process which requires each managers to justify his entire budget requests in detail from scratch (Hence zero base) and shifts the burden of proof to each manager to justify why he should spend money at all. This approach requires that all activities be identified in “the decision packages” which will be evaluated by systematic analysis and ranked in the order of importance. (Cheek, 1977, p. 12)

With ZBB, every line item in the budget must be approved with no preferences to previous expenses but based on the priorities of this budget year. The ZBB requires a thorough evaluation and starts from zero and then we move towards the ultimate goals based on what we have in terms of revenues and expenses. Comparing to traditional budgeting, which is based on the last year’s figures almost similar to the previous fiscal year history, whereas ZBB is budget, is increase either decreased based on the priority packages. (Cheek, 1977)

Table 4. Zero Based Budgeting Sample Form

Agency:		
Code:	Cost center description	Priority ranking

For this decision package, please thoroughly answer the following questions with as much detail as is necessary:

1. Why this cost center necessary and what does the taxpayer get in return?
2. How does this cost center and its base level of funding support your agency's strategic plan and fulfill legal mandates (cite the legal mandates it fulfills)?
3. What adjustments would be made if this cost center (or some portion of it) was eliminated?
4. What are the performance measures and outcomes for this cost center?

Alternatives	Cost description	Benefit description
Further develop this decision package by reconstructing the cost center's operation up from zero base according to what is absolutely needed to fulfill your agency's legal requirements in the most efficient and effective way. Critical to this step is the identification and analysis of alternative approaches to how business is currently undertaken within this cost center (please identify opportunities to do the job differently and better). This reconstruction should reflect the preferred alternative (from the alternative box below) to the current structure. Alternatives may include the need to, for example, propose legislation to eliminate low value or out-of-date mandates, reorganize or re-engineer work processes, further exploit information technology applications, including system consolidation, outsource services to contractors, share or transfer work responsibilities to other cost centers, programs, or agencies.		

Merely developing and compiling decision packages detailing what organization is up to accomplishes no useful purpose other than providing information. What is required is to focus and direct the organization resources towards pre-agreed needs or objectives. (Shim, 2011, p. 54)

Zero base budgeting (ZBB) can be used by non-financial managers to identify, plan and control project and programs. It enhances effectiveness and efficiency and matches services level to available resources. Each manager must justify a budget detail, beginning zero balance. It can lower production, service and operating costs. (Shim, 2011, p. 321)

ZBB is a priority form of budgeting, ranking activities such as products and services. It may be used by managers to review and analyze programs, proposals, activities, and functions to

increase profitability, enhance efficiency, or lower costs. ZBB results in the optimum allocation of company resources. There is an input-output relationship. (Shim, 2011, p. 321)

ZBB considers the objectives of the activity and how it is to be accomplished. The failure to fund an activity may result in adverse consequences that have to be taken into account. For example, the failure to produce a particular product may adversely affect the sale of related products in the company overall product line. (Shim, 2011, p. 321)

Managers who benefit from using ZBB include production managers, purchase managers, marketing managers to appraise competing alternative product lines formulate and advertising strategy, evaluate salesperson performance, establish and monitor marketing priorities. A cost benefit analysis should be undertaken for each sales program in terms of staff, product, and territory. The objectives of each subunit (e.g. department, responsibility center) should be consistent with the overall goals of the company. (Shim, 2011, p. 321)

2.3.2. Defining the Objectives of ZBB

The first step in structuring a zero-base budgeting system is to establish objectives for the effort. This normally involves a brief informal meeting among administrators, controller and his budget staff. Some of the uses to which zero-base budgeting might be put:

1. Developing an operating plan and budget for the coming year.
2. Conducting a one-time cost reduction effort on staff overhead.
3. Diagnosing what is really going on in the organization to refine policy or set long-range policy or set long-range objectives.
4. Allocating staff overhead to product lines and profit centers on more equitable basis.
5. Validating the feasibility of the long-range plan.

6. Auditing the effectiveness of staff programs.
7. Providing a database to restructure the entire organization (Cheek, 1977, p. 21)

2.3.4. Responsibility

The responsibility could be divided based on the organization experience. The more the organization is innovative and has been frequently active with employment, new technology follow up, this organization can lean its planning to individual managers within the department. However, if the organization is less experienced could use multifunctional force. Those organizations, which have generally weak management at the grass roots (or promising but immature one) but do have a number of “stars” who could innovate generally, opt for task force approach. (Cheek, 1977, p. 26)

2.4. What is its history? Who used it? 2. Why did it fail?

The first record of zero-based budgeting (ZBB) application in the public sector occurred in the Department of the Agriculture in 1964, mainly because of Secretary Orville Freeman’s interest in budgeting (Cheek, 1977, pp. 12-3). This attempt was short-lived in spite of top-level support. Each responsibility center charged with budgeting functions fought to further its priorities while ignoring the goals, objectives, priorities, and instructions of the department. Among the problems, contributing to ZBB’s failure to take hold in the Department of Agriculture included short lead-time for budget preparation and massive paperwork. (Bartley, 1997, p. 127). Despite the failed implementation of ZBB, it motivated the department’s top management to initiate the involvement of all levels of operating managers in the budgetary process. (Bartley, 1997, p. 127)

3. CHAPTER THREE

3.0. Rebirth of ZBB

Momentum for ZBB in public sector began when the state of Georgia (under then-governor Carter), the city of Garland, Texas, and a few other entities implements it during the early 1970's. When Jimmy Carter was elected president in 1976, his support for ZBB in the federal government infused new enthusiasm about ZBB in government. A number of especially attractive features were then being emphasized, such as effective planning and control and efficient allocation of scarce budgetary resources, clearly setting forth benefits to be gained versus costs to be incurred for each program or activity undertaken. In ZBB, every dollar allocation is required to stand or fall on its merit. Each increment or unit of cost for an activity or program requested must generate and equal or greater increment of benefit. Zero-based-budgetary requires constant matching of costs versus benefits, no program or activity can be continues simply because a budget request is made. (Bartley, 1997, pp. 127-128)

Governor Nathan Deal directed the Office of Planning and Budget (OPB) to implement Zero-Based Budgeting as part of the budget development process, fulfilling his commitment to Georgia's citizens to implement ZBB. The purpose of the zero-based budget analysis is to assess individual programs against their statutory responsibilities, purpose, cost to provide services, and outcomes achieved in order to determine the efficiency and effectiveness of the program and its activities. (Dunn, 2015)

The ZBB review process formalizes the work inherent in OPB budget analysis and provides a systematic review and reporting of the activities, performance and expenditures of the programs in the state budget. The ZBB document is a summary of the information gathered and

analyzed by OPB as part of our ZBB reviews. The document includes four sections for each program reviewed:

1. **Results of Analysis:** This section summarizes OPB's analysis and provides recommendations for future review or changes to the program budget and operations.
2. **Program Purpose and Key Activities:** This section lists the agency and program purpose. A list of the program's key activities is provided with its authority, number of positions, state funds and total funds budgeted is also provided in this section.
3. **Performance Measures:** This section lists the goals of the program and a set of measures for the program.
4. **Financials:** This section provides a summary of the program expenditures and budget. The section lists two years of expenditures, the current fiscal year budget, Governor has recommended changes and recommended budget. (Dunn, 2015)

3.1. FY 2016 Zero-Based Budget Analysis Georgia Department of Corrections ZBB Program:

Georgia Department of Corrections, ZBB Program: Private Prisons

FY 2016 Zero-Based Budget Report- Purpose of Review

The Georgia Department of Corrections (GDC) administers the prison and probation sentences of offenders adjudicated by Georgia's courts.

The Private Prisons program consists of four facilities, under two contracts, with Corrections Corporations of America (CCA) and GEO Corporation. Combined, these facilities are contracted to house up to 7,974 inmates, typically of low to medium risk. The purpose of this

review is to evaluate the cost-effectiveness of program activities and assess the need of private prisons as part of Georgia's future correctional infrastructure. (Dunn, 2015, p. 60)

3.1.2 Results of Analysis

1. Statutory Alignment: Program activities are aligned with statutory responsibilities.
2. Staffing Levels: There are no positions funded in this program.
3. Fleet Management: There are no motor vehicles assigned to the program.
4. Performance Measures: OPB worked with the agency to identify metrics for key program activities. The updated measures accurately reflect the performance of the program.
5. Budget Impact: Maintain the current funding level. (Dunn, 2015, p. 60)

3.1.3 Program Operations:

The Criminal Justice Reform Act of 2012 is expected to divert low risk inmates and drug offenders away from the correctional system through the utilization of alternative sentencing programs such as county drug courts. These diversions are expected to negate the previously projected 8% increase in the prison population and \$264 million in associated costs. The future prison population will consist of a more hardened and higher risk inmate, of which private prisons are not currently equipped to detain. Private prisons utilize an “open bay” housing design structure in the majority of their facilities. This design is meant to accommodate a low to medium security risk inmate and is not conducive to accommodate a large number of inmates who require single-cell confinement. (Dunn, 2015, p. 54)

Recommendation: Evaluate contracts with private prison vendors on an annual basis to ensure that offenders' profiles fit private prison capacity and capabilities.

Research has shown that offenders who re-enter communities after receiving evidence based programming (substance abuse, educational, and vocational) are up to 7.5% less likely to reoffend within three years. Private prisons are required to provide components of evidence based programming to offenders, but programs are not standardized among the private prison facilities.

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3.1.4. Georgia Department of Corrections

Table 5. ZBB Program: Private Prisons (Key Activities and Alternative Approach

Key activities	Description	Zero Based Budget Review			
		(State Funds)			
Activity	Description	FY 2015	FY 2015	Changes	Recommendations
		State Funds	Total Budget		
Riverbend Correctional Facility	Opened in December 2011 as an adult male medium security prison in Milledgeville with a max capacity by contract of 1,500 inmates. Offers various academic, vocational, and counseling classes to rehabilitate offenders. Owned and operated by the GEO Group	\$28,196,250	\$28,196,250	0	\$28,196,250
Wheeler Correctional Facility	Opened in 1998 as an adult male medium security prison in Alamo with a max capacity by contract of 2,638 inmates. Offers various academic, vocational, and counseling classes as well as faith-based programs to rehabilitate offenders. Owned and operated by Corrections Corporation of America.	42,733,573	42,733,573	0	42,733,573
Jenkins Correctional Facility	Opened in 2012 as an adult male medium security prison in Millen with a max capacity by contract of 1,150 inmates. Offers various academic, vocational, and counseling classes as well as faith-based programs. Owned and operated by Corrections Corporation of America	22,057,863	22,057,863	0	22,057,863
Coffee Correctional Facility	Opened in 1998 as an adult male medium and close security prison in Nicholls with a max capacity by contract of 2,628. Offers various academic, vocational, and counseling classes as well as faith-based programs. Owned and operated by Corrections Corporation of America.	41,920,338	41,920,338	0	41,920,338
Total:		\$134,908,024	\$134,908,024	\$0	\$134,908,024

(Dunn, 2015, p. 54)

3.1.5 Georgia Department of Corrections

Table 6. ZBB Program: Private Prisons: Financial Summary

Expenditures		FY2015 Zero Based Budget Review			
Objects Of Expenditures	FY2013	FY2014			
Personal Services					
Regular Operating Expenses					
Motor Vehicle Purchases					
Equipment					
Computer Charges					
Real Estate Rentals					
Telecommunications					
Contractual Services	\$134,694,789	\$133,811,261	\$134,908,024	\$0	\$134,908,024
Total Expenditures	\$134,694,789	\$133,811,261	\$134,908,024	\$0	\$134,908,024
Fund type					
State General Funds	\$134,694,789	\$133,811,261	\$134,908,024	\$0	\$134,908,024
Total Funds	\$134,694,789	\$133,811,261	\$134,908,024	\$0	\$134,908,024

(Dunn, 2015, p. 57)

3.1.6. Georgia Department of Corrections

ZBB Program: Private Prisons - Performance Measures

Agency Purpose:

The Georgia Department of Corrections administers the prison and probation sentences of offenders adjudicated by Georgia courts. The Department of Corrections creates a safer Georgia by effectively managing offenders and providing opportunities for positive change.

Program Purpose:

The purpose of this program is to contract with private companies to provide cost-effective prison facilities that ensure public safety.

Table 7. Performance Measures Georgia Department of Corrections

Performance Measures Actuals	FY 2011	FY 2012	FY 2013	FY 2014
Annual Occupancy Rate	97%	83%	99%	99%
Three-Year Felony Reconviction Rate	31%	28%	30%	30%
Number of Ged Diplomas Received In Private Prisons	178	82	200	234
Number Of Contracted Private Prison Beds as A Percentage Of All Inmate Beds	11%	14%	16%	17%
Average Daily Cost Per Inmate	*\$46	\$53	\$51	N/A

(Dunn, 2015, p. 58)

3.1.7 Implementing Program Budgeting and Zero Base Budgeting in EU Countries

Experiments with program budgeting were first initiated in the US at the federal government level, during the 1960s (Planning, Programming and Budgeting System, PPBS). Since then the methodology was improved, but program budgeting is still not widely used in Europe. Later, starting from the 1970s zero base budgeting (ZBB) was developed as a continuation of PPBS. According to the latest budget system law, program budgeting will be compulsory in Serbia starting from 2015. (Gábor Péteri, 2009, p. 12)

Program budgeting is based on the hierarchical structure of public functions. So the actual spending programs have to be defined within the overall system of goals and objectives set by a government. The specific services are derived through 3-4 levels of these hierarchical goals. For example the overall objective of “clean city” is further broken down to sub-programs and marking an activity, like “snow removal” at the end. (Gábor Péteri, 2009, p. 12)

3.2. Lessons for Serbia

The fiscal planning rules and budgeting methods cannot be standardized across all government levels. At the national level where the main task is to allocate categorical transfers among local budgets, the planning techniques are built more on incremental budgeting. At the local government level planning the service organizations’ budget appropriations might be more program oriented, using elements of performance budgeting. (Gábor Péteri, 2009, p. 14)

However, at both levels of government there is a need for changing the main function of the budget. Presently the budget is primarily an instrument for authorizing spending and exercising control over the usage of public funds. The main purpose of budgeting should be forecasting combined with greater discretion in setting the appropriations. At the national level it

would require the higher share of non-categorical transfers and general grants against categorical grants. (Gábor Péteri, 2009, p. 14)

At the local government level, when the task is to allocate funds among several indirect budget users, the planning methods might be changed. A gradual shift has to be made from the line item incremental budgeting towards performance based and program budgeting. At the most innovative local governments in selected service areas, elements of the modern planning techniques have to develop. (Gábor Péteri, 2009, p. 14)

3.3. State of Idaho Budget Process

Idaho, the state's largest city and capital is Boise. Area, 83,557 sq mi (216,413 sq km). Population (2000) 1,293,953, a 28.5% increase since the 1990 census. Capital and largest city, Boise. Statehood, July 3, 1890 (43d state). (Infoplease, 2015)

Table 8. Idaho Population

Idaho, United States Census Bureau, People Quick Facts. Idaho, USA		
Population, 2013 Estimate	1,612,843	316,497,531
Population, 2010 (April 1) Estimates Base	1,567,652	308,758,105
Population, Percent Change - April 1, 2010 To July 1, 2014	4.3%	3.3%
Population, Percent Change - April 1, 2010 To July 1, 2013	2.9%	2.5%
Population, 2010	1,567,582	308,745,538
Persons Under 5 Years, Percent, 2013	7.0%	6.3%
Persons Under 18 Years, Percent, 2013	26.5%	23.3%
Persons 65 Years And Over, Percent, 2013	13.8%	14.1%
Female Persons, Percent, 2013	49.9%	50.8%

(Census Bureau, 2015)

3.4. Idaho Zero-Base Budget (ZBB) Initiative

Department of Administration

The Department of Administration was one of the first state agencies to undergo the Zero-Based Budgeting process as a result of Governor Otter's initiative to re-evaluate each line of state spending starting from the base of zero. (idaho.gov, 2015)

In a reverse working process of traditional budgeting, the Department reviewed its mission and its mandates first. Not only did it determine whether its budget and resources are supporting those charges, but it examined whether aspects of its edict should be modernized based on the current economy and/or advances in technology and strategic business practices.

It was a valuable exercise for managers as well as our front-line staff members, who also contributed to the project. (idaho.gov, 2015)

The Process Used for Gap Analysis:

The Department of Administration created a 16-member ZBB team composed of Program Managers, its Deputy Attorney General, Chief of Staff, and Program Specialist to provide support services. Work teams were created within each of the programs. Three templates were designed for use by the work teams to stimulate discussions. The Task Template is a matrix used for listing all tasks of the program down the side, with answers to questions about each of the tasks across the page. Questions posed for each of the tasks included:

- Does the program/service support and contribute to the mission of the agency?
- Do they meet constituency needs? Do they overall entities functions?
- Any measureable evidence of the value of the service/program under review?
- Are goals/objectives of the program important enough to warrant expenditures made?

- What would happen if the program/services were not provided at all? (gov., 2015, p. 1)
- Are there other less costly, more efficient ways of achieving these objectives?
- Would benefits be greater if all or part of the funds spent was used for other programs?

The Mandate Template is a matrix used for listing down the side all sections of Idaho Code, Administrative Rules, and Executive Orders affecting each of the programs, with answers to questions related to each of the mandates across the page. Prior to filling this spreadsheet out, our Deputy Attorney General spelled-out all applicable code, rules, and executive orders affecting the Department and explained what they all meant in non-technical language.

Questions posed for each of the mandates included:

- Is the Department fulfilling the mandate's intent?
- Does the mandate support and contribute to the mission of the agency?
- Do they meet constituency needs? Do they duplicate other entities functions?
- Are the mandates important enough to warrant continuation?
- What would happen if the mandate was not provided at all?
- Are there other less costly, more efficient ways of satisfying these mandates?
- Would benefits be greater if all or part of the funds spent was used for other programs?

Based on analysis of the data collected in each of the templates, the work groups identified any gaps that became apparent between tasks and mandates. The Gap

- Template is a matrix that poses the following questions:

- What tasks are NOT mandated, but we ARE doing them? Do they support our mission? Why are we doing them?
- What tasks ARE mandated but are NOT done? Should they be mandated?
- (gov., 2015, p. 1)
- What tasks ARE mandated and we ARE doing them, but should we be doing them anymore? Why?
- What tasks are NOT mandated, we are NOT doing them, but should we be doing them? Should they be mandated?
- What continuing tasks, whether mandated or not, could be done more efficiently and/or cost effectively? What would be required?

Once the Gap Templates were complete, work groups were asked to delineate what would be required for any proposed changes—legislative changes, more/less staff, more/less appropriation, for example. Simultaneous to this process, Divisions determined how to organize their cost centers in anticipation of incorporating approved changes identified in the gap analysis processes and for writing decision units for the Fiscal Year 2011 budget. This packet contains a listing of those cost centers for FY2011; a section of proposed code deletions, modifications, and addition; other gaps identified; and, a long list of suggested efficiencies, in many cases not requiring code changes or additional resources. The next step is to discuss proposed changes to the Department with the Director, and receive any approvals and direction for proceeding with the zero-based budget for FY2011. (gov., 2015, p. 2)

3.4.1 Idaho Department of Correction

The Idaho Department of Correction's Bureau of Management Services and Bureau of Contract Services support IDOC's public safety mission by providing a wide range of support activities. Management Services provides budget and payroll management; information technology; and fiscal services (Cost of Supervision and Offender Account Management.)

Contract Services provides grant/contract administration; offender records; dietary services; capital construction projects, and contract facility monitoring. (idoc.idaho.gov, 2015)



IN FISCAL YEAR 2010, the Idaho Department of Correction (IDOC) had \$143.2 million in prison expenditures. However, the state also had more than \$1.5 million in prison-related costs outside the department's budget.

The total cost of Idaho's prisons—to incarcerate an average daily population of 7,402—was therefore \$144.7 million, of which 1.0 percent were costs outside the corrections budget.

Determining the total cost of state prisons requires accounting for expenditures in all areas of government that support the prison system—not just those within the corrections budget.

The additional costs to taxpayers can include expenses that are centralized for administrative purposes (such as employee benefits and capital costs) and services for inmates funded through other agencies. Prison costs also include the cost of underfunded contributions to corrections employees’ pensions and retiree health care plans; states must pay the remainder of those contributions in the future. (Justice V. I., 2012)

Taxpayer Costs (dollars in millions)	
IDOC prison budget	\$143.2
Other state costs	
Retiree health care contributions	\$0.2
Underfunded retiree health care	\$0.2
Capital costs	NE
Judgments and legal claims	NE
Statewide administrative costs	\$1.0
Subtotal: Other state costs	\$1.5
TOTAL TAXPAYER COST	\$144.7

Source: Vera Institute of Justice, True Cost of Prisons survey. See “Methodology” for more details. Taxpayer costs include expenses funded by state and federal revenue. Vera could not obtain information about all prison costs outside the state’s corrections budget. These costs were not estimated and appear as NE. Apparent discrepancies between subtotals and totals are the result of rounding.

Prison costs outside the IDOC’s budget included the following: RETIREE HEALTH CARE CONTRIBUTION.

The state of Idaho made a payment of \$247,000 for corrections employees in 2010. (Justice V. I., 2012)

UNDERFUNDED RETIREE HEALTH CARE

CONTRIBUTIONS. In 2010, the state contributed 51 percent of the annual amount required to fully fund retiree health care benefits in the end. The state will need to pay the remaining \$237,000, plus interest, to provide for the retiree health care benefits for corrections employees that are scheduled under current law. (Justice V. I., 2012)

STATEWIDE ADMINISTRATIVE COSTS. In 2009, the

most recent year for which Vera could obtain data, the IDOC incurred \$973,000 in indirect costs (such as auditing or information technology) paid by state administrative agencies. Indirect costs related to prison operations that are provided by these agencies were determined using the Statewide Cost Allocation Plan (SWCAP). (Justice V. I., 2012)

OTHER STATE COSTS. A portion of the costs of capital improvements, judgments, and legal claims were funded outside the corrections department. Vera could not obtain this information and these costs are not included in this fact sheet. Therefore, the state’s total prison cost calculated for this report is a conservative estimate. (Justice V. I., 2012)

4. CHAPTER FOUR

Correctional Service of Kosova Findings & Analysis

4.1. Audit Report on the Financial Statements of the Ministry Of Justice for the Year Ended 31 December 2013.

Budget Planning and Execution: We have considered the source of budget funds for MoJ and spending of funds by economic categories. This is highlighted in the following tables:

Table 9.MOJ Financial Statements as of 31-Dec-2013

Economic Categories	Amount €	Final Budget	2013 Outturn	2011 Outturn
Wages And Salaries	10,124,215	9,688,604	9,510,257	9,123,140
Goods And Services	5,826,116	6,053,553	5,173,127	5,714,551
Utilities	827,258	907,258	858,186	809,957
Subsidies And Transfers	200,000	400,000	31,698	60,965
Capital Investments	1,622,500	1,537,400	1,144,252	793,321
Total	18,600,089	18,226,815	16,227,936	16,501,934

(Finance, 2015 Budgeting, 2015, p. 12)

Issue 2 – Low Budget Execution in Capital Investments – High Priority

Finding: Expenditures for Capital Investments compared to the final budget for this category were 60%. Failure to execute four projects, which in absence of eligible bids were in retendering process, had an impact on this. This resulted in changing the time of their execution.

Risk: Low budget execution in particular with capital projects may lead to the risk that resources are inefficiently used and may reduce the effectiveness of the expenditure plans.

(Finance, 2015 Budgeting, 2015, p. 14)

Issue 4 Finding: According to Financial Rule no. 01/2013 on Spending of Public Funds, the authorizing officer (budget holder) authorizes the request for the commitment of funds for all purchases, whilst the procurement office prepares and creates the purchase order.

Then the request for supply by the Economic Operator (EO) is made. In the case “Supply with fuel” in two payment orders in the amount of €94,467 and €97,749, we found the supply in KCS started prior to the initiation of the request for supply by the internal users. In the first payment, the supply occurred in December, whilst the request was made on 17.01.2013, i.e. commitment of funds and purchase order were made on 24.01.2013.

In the second payment, supply started in February whilst the request was made on 07.03.2013 and commitment of funds and purchase order were made on 11.04.2013.

Risk: Supply with Goods and Services without the initiation of request from the requesting units and without the commitment of funds may lead to the purchase of goods or to unnecessary services delivered to the Ministry. This may result in the inefficient use of resources and reduces the effectiveness of expenditure plans. This situation is challenging to the adequate functioning of internal control. (Finance, 2015 Budgeting, 2015, p. 15)

4.2. Audit Report on the Financial Statements of the Ministry Of Justice for the Year Ended 31 December 2012

Despite all the progress, the MoJ needs to make many improvements. The most challenging area remains budget planning and execution. The MoJ had budget surpluses of 13%, and executed only 57% of the capital investments budget. Evidently, the annual procurement plan is done without preliminary analysis of market prices, without properly identifying projects objectively that are to be carried out, and without proper monitoring. (General Audit, 2012, p. 5)

Table 10. MOJ Budget 2012: Spending of funds by economic categories- Outturn against the budget (in €)

Economic Categories	Initial Budget	%	Final	%
Wages And Salaries	10,070,780	52.5%	9,793,717	52.4%
Goods And Services	5,475,857	28.6%	5,894,756	31.6%
Utilities	2,558,532	13.3%	2,012,037	10.8%
Subsidies And Transfers	844,258	4.4%	944,258	5.1%
Capital Investments	220,000	1.1%	35,000	0.2%
Total	19,169,427		18,679,768	

(General Audit, 2012, p. 12)

The table above shows that the Initial Budget was in the amount of €19,169,427, and the Final Budget was in the amount of €18,679,768. Therefore, we see a reduction for €489,659 compared to the Initial Budget. (General Audit, 2012, p. 12)

3. Issue - Shortcomings in executing capital projects – Priority Significant

Finding: Capital expenditures compared to the final budget were 57%. This indicates that a large part of capital projects was not implemented. In a nine-month period was spent only 17% of the budget and the other 40% of the budget was spent in the last quarter.

Risk: There is a significant disagreement between the plan and expenditures. Due to poor planning of expenditures, capital projects were not implemented. The risk of this is generating high budget surpluses. (General Audit, 2012, p. 12)

4.3. Audit Report on the Financial Statements of the Ministry Of Justice for the Year Ended 31 December 2011

Table 11. MOJ Budget 2011: Spending of funds broken down by economic categories- Outturn against the budget (in €)

Economic Categories	Initial Budget	%	Reviewed Budget	%	Outturn 2011	%
Wages And Salaries	10,005,742	49.68%	10,106,887	48.73%	9,123,140	55.29%
Goods And Services	5,668,145	28.14%	7,068,199	34.08%	5,714,551	34.63%
Utilities	2,020,000	10.03%	1,360,966	6.56%	60,965	0.37%
Subsidies And Transfers	1,603,572	7.96%	1,359,502	6.56%	793,321	4.81%
Capital Investments	844,258	4.19%	844,258	4.07%	809,957	4.91%
Total	20,141,717		20,739,812		16,501,934	

Table 11. shows that MoJ had an increase of final budget for €98,095 compared to the initial budget. In the following, we will disclose budget movements by category of expenditures. Table 11. shows an increase in the category of Wages and Salaries for €101,145. Such increase was due to Government's decision on the Brain Fund in the amount of €64,320, whilst the other amount of €36,825 was from own source revenues, for payment of committees on exam attendance. In the category of Goods and Services, there was a budget increase of €1,400,054. Such increase is as a result of presentation of the prisoners' private funds as well as presentation of foreign donations in the final budget. (General Auditor, 2011, p. 9)

Fund for Subsidies and Transfers was decreased for €659,034 compared to the initial budget. The budget cuts were made upon decisions of the Prime Minister of Kosova. The amount of €25,000 was cut based on the decision of 19th of October 2011 on internal harmonization; the amount of €105,000 was transferred to the Judicial Institute of Kosova based on the decision of 23rd of November 2011. The amount of 28,934€ was cut based on the decision of 23rd of November 2011. (General Auditor, 2011, p. 10)

A budget cut in the amount of €244,070 was also made in the Capital Investments on 27th of July 2011, aiming budget savings. (General Auditor, 2011, p. 10)

Planned (final) budget for 2011 was €20,739,812. The MoJ managed to spend the amount of €16,501,934 or around 80% of the budget. If we see the budget execution based on economic categories, we see that a low execution rate was in the categories of Subsidies by 4% and Capital Investments by 58%. Low execution in the category of Subsidies and Transfers resulted due to improper budgeting. The MoJ had budgeted means in this category for drafting of laws. Considering the budget execution based on periods, there is also a poor budget execution. Over 30% of budget was spent only in the last three months. (General Auditor, 2011, p. 10)

Conclusion: The MoJ for 2011 did not have a good budget performance. Low level of execution is mainly noticed in the categories of Subsidies and Transfers and Capital Investments. (General Auditor, 2011, p. 10)

5. FIVE YEAR SCENARIO (INCREMENTAL VS. ZBB)

Figure 6. Incremental Budgeting 5Yrs Scenario '000

Description: Incremental Budgeting	2011	2012			2013			2014			2015		
	EUR. Expenses	Estimation	Expenses	Diff.	Estimation	Expenses	Diff.	Estimation	Expenses	Diff.	Estimation	Expenses	Diff.
Ratio		1%		-6%	-2%		-1%	-0.2%		-2%	4%		1%
1. Total MOJ Revenues	20,142	20,338	19,121	1,217	18,733	18,600	-133	18,572	18,115	-457	18,914	19,011	96
Wages and salaries	10,006	10,103	10,023	-81	9,306	10,076	770	10,061	9,823	-238	10,256	11,817	1,561
Goods and services	5,668	5,723	5,476	-247	5,272	5,826	554	5,817	5,745	-73	5,998	4,870	1,128
Of which: Utilities	844	852	844	-8	785	827	42	826	827	1	864	733	-131
Subsidies and Transfers	2,020	2,040	220	1,820	1,879	200	1,679	200	50	-150	52	20	-32
Subsidies for PE													
Capital expenditures	1,604	1,619	2,559	939	1,491	1,623	131	1,620	1,623	2	1,694	1,523	-172
Own revenues						48	48	48	48		50	48	-2
KCS Budget Participation / Total MOJ Revenues	70%		78%			82%			80%			82%	
2. Total KCS Expenses	14,189		14,861			15,232			14,581			15,598	
Wages and salaries	8,152		8,152			8,552			8,064			9,763	
Goods and services	4,200		4,068			4,465			4,346			3,808	
Of which: Utilities	649		649			649			649			605	
Subsidies and Transfers													
Subsidies for PE													
Capital expenditures	1,189		1,993			1,568			1,523			1,423	
Own revenues													
3. Remaining Departments	5,953		4,260			3,368			3,534			3,413	

(Finance, Buxheti i Republikës së Kosovës, 2015;2014;2013;2012;2011)

Based on actual incremental budgeting we can see the following budget expenses deviation:

Figure 7. Incremental Budgeting Deviation

Fiscal Year	Surplus Budget	Deficit Budget	Total
2012	1,217,000€	0.00	1,217,000€
2013	133,000€	0.00	133,000€
2014	457,000€	0.00	457,000€
2015	0.00	-96,000€	-96,000€
Grand Total	1,807,000 €	-96,000 €	1,711,000 €

Based on the actual budget comparison we can notice that there is a total deviation from 1.7 Million EUR. Surplus of estimated budget and spent budget for four years. Moreover, there are discrepancies between the budget categories in estimations and expenditures. In this case, budgetary organization to achieve its final reconciliation to the total budget need to move funds from one category to another, which violates the rules established in respect of budgetary limits.

Surplus of the sums which appeared can be allocated in any other position required. By this a regular practice is reported that the biggest percentage of annual budget is spend in last quarter of budgetary organizations, to avoid budget surplus, which if not spend, the government will reduce of subsequent year's budget for of the same volume.

Figure 8. Zero Based Budgeting 5Yrs Scenario '000

Description: Zero Based Budgeting	2011	2012			2013			2014			2015		
	<i>EUR.</i> <i>Expenses</i>	<i>Estimation</i>	<i>Expenses</i>	<i>Diff.</i>	<i>Estimation</i>	<i>Expenses</i>	<i>Diff.</i>	<i>Estimation</i>	<i>Expenses</i>	<i>Diff.</i>	<i>Estimation</i>	<i>Expenses</i>	<i>Diff.</i>
<i>Ratio</i>													
<i>Risk Surplus/Deficit</i>													
1. Total MOJ Revenues	20,142	19,121	19,121	0	18,600	18,600	0	18,115	18,115	0	19,011	19,011	0
Wages and salaries	10,006	10,023	10,023		10,076	10,076		9,823	9,823		11,817	11,817	
Goods and services	5,668	5,476	5,476		5,826	5,826		5,745	5,745		4,870	4,870	
Of which: Utilities	844	844	844		827	827		827	827		733	733	
Subsidies and Transfers	2,020	220	220		200	200		50	50		20	20	
Subsidies for PE													
Capital expenditures	1,604	2,559	2,559		1,623	1,623		1,623	1,623		1,523	1,523	
Own revenues					48	48		48	48		48	48	
KCS Budget Participation / Total MOJ Revenues	70%		78%			82%			80%			82%	
2. Total KCS Expenses	14,189		14,861			15,232			14,581			15,598	
Wages and salaries	8,152		8,152			8,552			8,064			9,763	
Goods and services	4,200		4,068			4,465			4,346			3,808	
Of which: Utilities	649		649			649			649			605	
Subsidies and Transfers													
Subsidies for PE													
Capital expenditures	1,189		1,993			1,568			1,523			1,423	
Own revenues													
3. Remaining Departments	5,953		4,260			3,368			3,534			3,413	

(Finance, Buxheti i Republikës së Kosovës, 2015;2014;2013;2012;2011)

Zero based budgeting when comparing to incremental budgeting has no difference with budget surplus or deficit, therefore the total deviation is zero. This scenario shows the best result if ZBB is implemented correctly.

Figure 9. Actual Incremental Budget Line Sample (Repeated Amount 5yrs in row)

Project Name (KCS)	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15
Establishment of a special unit for monitoring and transporting prisoners	150,000	150,000	150,000	150,000	150,000
Renovation of the roof (roof maintenance of facilities and prisons)	50,000	50,000	50,000	50,000	50,000

(Finance, Buxheti i Republikës së Kosovës, 2015;2014;2013;2012;2011)

As seen Figure 9. presents two budget categories among other budget projects in KCS, which are re-estimated each year and exact amount of money was spent. This is additional argument that incremental budget preparation mindset is narrow and it costs extra euros to the government of Kosova, especially poor estimations cause by public services organization such as KCS. What incremental budgeting leaves out of the account is analyzing the need for financing new project from scratch but leaving budget organization spend more money in repetitive capital projects, goods and services and rise stocks of goods, while ignoring needs in enhancing organization strategy as ZBB suggests.

6. Potential Use in Kosovo

A. Can we apply ZBB to Kosovo?

Table 12. Correctional Services FY2014 Budget Comparison between Kosova and State of Idaho (USA)

Description	State Of Kosova	State Of Idaho
Population	1,859,203	1,634,464
Size Of Budget In MOJ	USD 20.7 MIL	USD 143.2 MIL
Number Of Employees In KCS	1,608	1,960
Inmates	1,500	8,120
Average Annual Cost Per Inmate	USD 13,826	USD 19,545

The Republic of Kosovo has approximate figures to that of state of Idaho. From statistical data, Kosovo has population of 1.8 million while state of Idaho has 1.6 million, the correctional staff numbers is approximately 1,608 in Kosova and 1,960 in Idaho, and the average cost per prisoner brought in a buck for Kosovo is 13.826USD and 19.545USD for the state of Idaho.

Given the state of Idaho has a larger budget, a large number of prisoners and implements zero budgeting, gives us a strong argument that ZBB can be applied in Kosovo Correctional Service which has a smaller budget, smaller number of prisoners, and possesses sufficient time and space for administrative officials to deal with budgetary planning, implementation, monitoring and reporting.

5.1. Would it truly benefit Kosovo Departments?

A. If so, how?

ZBB may be of benefit to departments that provide services to the government of Kosovo, such as the Department of Correctional Services, Kosovo Police, and Kosovo Protection Force.

First, Zero based budget will organize budget proposals on rankings by reducing unnecessary ones, for each project will implement cost-benefit analysis, feasibility study for capital projects, and then higher management will decide if the budget is related to the organization's strategic plan, detects inflation, and the allocation of funds will be efficient.

Furthermore, ZBB is easier to control by internal and external audit as it allows single audit report. By this, taxpayers money will be ensured that is spend properly and for projects that matters to the government of Kosova.

Lastly, ZBB can reduce corruption as prior cost benefit analysis of budget will be conducted, and there will no space to increase budget drastically for the reason of unforeseen plans during preparation of incremental budgeting.

ZBB may be of benefit to departments that provide services to the government of Kosovo, such as the Department of Correctional Services, Kosovo Police, and Kosovo Protection Force.

B. If not, why?

In the other hand, ZBB is only really applicable to a service environment, its time consuming, requires additional training for staff and managers, may cause budget increase for certain categories during the first years planning, can cut budget in some other categories, and may lead to lost continuity of action and short term planning.

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Annex

Questionnaire: Zero Based Budgeting New Budgeting Approach to Kosovo Public Services

Dear Sir/Madam

My Name is Burim Haxholli, I am a student at the American University of Kosovo. Through this compiled questionnaire I intend to propose to the Government, the method of preparing the budget as "Budgeting from scratch or "0".

This paper is part of a Capstone Project, Master in Public Administration. I would be grateful if you share your valuable time to respond to this questionnaire.

Budgeting is the main tool for planning and control activities such as money income and outcome for its departments within an organization company. Through this survey, I tend to draw the strengths and weaknesses of the budget preparation in institutions of Public Services in Republic of Kosovo, about the quality of budget preparation, processes, deficiencies, weaknesses etc.

*** Required**

Evaluate the level of preparation of the budget of the Republic of Kosovo *

- Superior
- Excellent
- Good
- Poor

Which budgeting method is required in Public Services *

Incremental budgeting uses data last year, making a small increase for the following year, and budgeting from "0" starts with budget lines reassessment of the value 0.

This is a required question

Evaluate the degree of compiling, and budget forecasting in Public Services for Capital Projects: *

1 2 3 4 5

Poor Superior

Evaluate the degree of compiling and budget forecasting in Public Services for the category Wages & Salaries: *

1 2 3 4 5

Poor Superior

Evaluate the degree of compiling and budget forecasting in the Republic of Kosovo for Goods and Services: *

1 2 3 4 5

Poor Superior

Evaluate the degree of compiling and budget forecasting in the Republic of Kosovo for Utilities category: *

1 2 3 4 5

Poor Superior

Evaluate the degree of compiling and budget forecasting in Public Services on Subsidies and Transfers categories: *

1 2 3 4 5

Poor Superior

Please evaluate your overall experience with budgeting in public institutions: *

Superior

Good

Poor

Other:

How many years of experience you have as an official compilation, budget management? *

In which institution, department work? *

Please enter your feedback in the box, what method do you think the budget forecast can be more accurate and do you think that zero-based budgeting can be advanced option and why? *