Introduction to the Fiscal Administration

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Fiscal policy

- Fiscal direction is the management of transactions of incomes and outflows of money and of the state budget, of educational institutions, non-profit organizations and public service institutions.
- By fiscal policy we understand the measures taken by the government to stabilize and develop the economy, by maneuvering the levels of taxes and duties and the distribution of government expenditures in order to fulfill macroeconomic objectives such as low unemployment, low inflation, economic growth, etc.

Important fiscal administration objectives

- Management of public expenditure allocation
- Careful management and the risk of corruption
- To raise sufficient income

The role of government (state)

- The state as a provider of institutions, and as a determiner of the rules of the game
- The state as a distributor or redistributor of income
- The state as a driver of economic growth and national wealth

The state as a provider of institutions, and as a determiner of the rules of the game.

- The government ensures the development of the activity of institutions and public goods and services by collecting taxes, levies, or contributions and other obligations established by law to be paid by citizens and businesses.

- Governments through fiscal incentives promote positive externalities and inhibit negative ones.

The dysfunction of the competition

- If we refer to financial institutions, they are not only of special importance, but also the nature of their markets requires special regulation.

- Governments often intervene in markets where customers have incomplete information about products and there is a fear that the necessary information will not be provided in a timely manner.

Lack of efficient markets

- For markets to function very well there must be an important cooperative relationship between a government and markets.
- For markets to function efficiently, and the market economy to be the economy where businesses thrive, a clear legal framework is needed.
- Without a legal system that guarantees property rights and the enforcement of contracts, corporate agreements and contracts and market exchanges will be virtually impossible.

The state as a distributor or redistributor of income

- Economic arguments for income redistribution include the argument that a certain distribution of income is necessary to create and maintain a market.
- Governments intervene to correct the injustices in the distribution of wealth in society, trying to improve the conditions they face and that the market itself would leave them.
- Governments reflect redistribution goals in government spending programs and systems for financing these programs.

The state as a promoter of the growth of the economy and national wealth…

- Governments pursue fiscal incentives continuously and according to priorities.
- For example, if there has been a significant increase in transport costs, this will not continue indefinitely.
- In the following years, priorities change, and the government will reduce the growth rate of spending in this sector, giving priority to some other sectors such as agriculture and energy, because the demand is already for the products of these sectors.

The importance of public spending

- Public finance management uses managerial methods to allocate and control finances, but governments do not have an ownership maximization objective, and ownership is often unclear.
- Governments can tax to raise their resources, and it is not easy to quantify or value government services.
- Public leaders who are part of budgeting must know the macroeconomic environment of the country, the problems they will address and the complexity of budget implementation.
- Budget expenditures can also be strongly influenced by other levels of government.

- In Albania, the management of public expenses is developed at the national level and by two sub-levels, the municipalities and the communes. The sharing of taxes between them is very limited.

- Among EU countries, Germany is a federal state consisting of 16 regions (Länder). The exercise of state powers and the performance of state functions is a matter of the "Landes" unless otherwise determined by law. The Lands are further divided into municipalities.

- France is a relatively centralized state, which nevertheless offers some freedom to its sub-national government entities (regions, departments and municipalities) in the areas of taxation and spending.

- Greece is a country with a two-tier government structure, national and sub-national. At the subnational level, there are two levels of self-government: municipalities and regions.The latter are further divided into regions. Despite this structure, Greece is a fairly centralized state.

Public revenues

- The sources through which the government provides money for the provision of public goods are called public revenues.

- Tax is a mandatory and non-refundable payment in the State Budget, or in the budget of local government bodies, and is not made in exchange for certain goods and services.

- A source of income for the budget is also the provision of public goods.

Sustainable Development and Fiscal Stability

- The tax system is a package of taxes and levies applied by the government of a country.
- This package, although it may be different from one country to another, is based on some basic principles which will be explained in the following topics.
- The tax system should be built from clear and simple taxes, so that taxpayers know their obligations and pay them off.

- There is an increased focus on fiscal sustainability by both states and international organizations.
- First, the economic crises over the decades have necessitated the prudence of governments so that tax systems are flexible to respond to events and crisis situations, from the financial crisis of 2008 to the covid-19 pandemic.

- Second, a prudent level of national debt enhances fiscal sustainability.

- In crisis situations before governments, spending increases beyond any possible forecast become necessary and state finances may have financial difficulties to cope.
- Through reserves and contingency, governments try to keep funds for these cases, even though it is difficult to predict the damages and public expenses that will go towards unforeseen situations.