

# LAW

**No. 9936 Date 26.06.2008**<sup>12</sup>

**ON  
MANAGEMENT OF BUDGETARY SYSTEM IN THE REPUBLIC OF ALBANIA”  
(AMENDED)**

Based on articles 78, 81 and 83, points 1, 111 and 157 of the Constitution, with the proposal of the Council of Ministers,

**ASSEMBLY  
OF THE REPUBLIC OF ALBANIA**

**DECIDED:**

**CHAPTER I  
GENERAL PRINCIPLES**

**Article 1  
Purpose of the law**

This law regulates the budgetary system in the Republic of Albania, its structure, its principles and the foundations of the budgetary process, intergovernmental financial relations and responsibilities for the execution of the entire budgetary legislation.

**Article 2  
Scope of the law**

This law should be implemented in all general government units in all stages of the budgetary process which include:

- a. preparation, analysis and approval of the Budget.
- b. implementation, monitoring and revision of the Budget.
- c. rights and limitations on borrowing, guarantees and other borrowing issued by them.
- d. control, accounting, reporting, inspection and auditing of the Budget.

---

<sup>1</sup> Amended by law no. 114/2012, approved on 7.12.2012;

<sup>2</sup> Amended by law no. 57/2016, approved on 2.6.2016.

### **Article 3<sup>3</sup>** **Definitions**

For the purposes of this law, the definitions below mean:

1. “budget” is the set of revenues, expenditures and financing of central government, local government and special funds, which are approved by law from the Assembly or by decision of councils of local government units;

2. “annual budget law” is the law which approves revenues, expenditures and financing of the state budget, central special funds and transfers from the state budget to local government units for the budgetary year.

3. “special fund” is a fund established by a specific law, which is comprised of earmarked tax or non tax revenues to be spent for specific functions or activities of the central or local government;

4. “general government units” constitute of the central government units, local government units and special funds units.

5. “central government units” are the units of the executive, legislative and judicial power, established by Constitution, by Law or by Council of Ministers Decision, that fulfill the functions of central government as their primary activity;

6. “local government units”, are units at different local levels, established by Law, that fulfill the functions of local government within a specific territory as their primary activity;

7. “special funds unit” is a unit established by Law to exercise specific functions of the central and local government;

8. “spending unit” is the smallest organizational unit of the general government units, for which budgetary funds are broken down;

9. “approved fund/appropriation” is the maximum limit approved by the annual budget law or by decision of legislative local government units, within which the general government units have the right to undertake expenditures;

10. “allocated funds” are the approved funds according to the budgetary classification to be spent by general government units;

11. “breakdown of budgetary funds” is the breakdown of allocated funds according to the budgetary classification and broken down by spending units;

12. “reallocated funds” are balanced increases and reductions which result from the previous breakdown of budgetary funds;

13. “cash flow” is the forecast of inflows and outflows of the monetary assets of the general government units;

14. “authorized amount to be spent” is the periodic maximum expenditure limit at spending unit level;

15. “reserve fund” is a fund created to finance unusual expenditures which cannot be forecasted during the budget preparation stage;

16. “contingency fund” is an unallocated fund established to cover the possible risks relating to the revenues and expenditures during budget implementation;

17. “expenditure” is a decrease in net worth finalized in capital or current expenditures, non-returnable, with or without compensation obligation;

18. “revenue” is an increase in net worth finalized in capital or current receipts, with or without return obligation;

19. “grant” is a revenue acquired from a donation, with no condition of return and no interest, for a defined or undefined purpose to be used for financing economic activities;

---

<sup>3</sup> Amended by law no. 57/2016

20. "borrowing" is a receipt of the banking or financial market or third physical, juridical persons or individuals with a condition of return, with or without interest, for financing specified projects, because of temporary lack of liquidities and fiscal budget deficit.

21. "long-term local borrowing" is borrowing of a local government unit, in national or foreign currency, that must be repaid for a period of time equal to or longer than one year;

22. "contingent liability" is the obligation that the general government units may have towards third parties in the future, as a result of potential risks from direct or indirect events or commitments in previous years;

23. "economy" is the utilization of the appropriate quantity and quality of inputs at a given time and at the lowest cost;

24. "effectiveness" is the extent to which an output contributes towards the achievement of policy objectives or budgetary policy goals;

25. "efficiency" is the relationship between the outputs of a program, and financial and human resources used;

26. "medium-term budget program" is the representation of the budget expenditure plans for three years by directly linking programs with activities, outputs, objectives and policy goals;

27. "budgetary program" is a group of activities of the general government units that are managed effectively and together contribute in producing identifiable and measurable outputs which contribute directly or indirectly in achieving objectives and goals of its budgetary policy;

28. "program policy goal" is the desired, measurable result to be achieved from the general government units activities that should be achieved in the long term;

29. "program policy objectives" are specific results, precisely measured in terms of time, quantity and cost, that can be accomplished in the short-to-medium term and that are intermediate steps in achieving a budget policy goal;

30. "inputs" are the financial, human and physical resources used to undertake activities that are necessary to exercise the defined functions and are finalized with the delivery of certain outputs;

31. "budget program activities" is the set of activities undertaken at the program level for the delivery of an output;

32. "outputs" are goods and services delivered by activities of a budgetary program;

33. "medium-term budget program ceilings" are expenditure upper limits within which budgetary requests of general government units shall be prepared;

34. "financial management and control" is a system of policies, procedures, activities and controls, based on which the financial resources are planned, oriented and controlled by the managers, in order to ensure and influence the effective and efficient offering of the public services.

35. "Public Internal Financial Control" is the whole system of internal control practiced by public units, in order to guarantee that their financial management and control is in compliance with the respective legislation, budget requests and the principles of a transparent, effective and efficient financial management. Public Internal Financial Control includes all the activities that aim to control public units' revenues, expenditures, assets and commitments. It, also, includes the central harmonization and the coordination of the financial management and control, as well as internal audit.

36. "internal audit" is an independent activity within the general government units which gives reasonable assurance to authorizing officers for the effective use of funds and for better exercising of these units functions;

37. "treasury system" is a set of rules and procedures and is the organizational structure engaged for budget implementation, management of liquidities, keeping the accounts and financial reporting of the general government;

38. “budget commitment” is assuming written formal financial obligations through engaging in contractual relations;

39. “quasi-fiscal activity” is an activity of fiscal nature undertaken by non general government public sector units;

40. “tax expenditure” is the assessment of the financial effects resulting from the exclusion or fiscal incentives given to encourage specific activities.

41. “principle authorizing officer” is the highest rank employee by civil service law in the Ministry of Finance, responsible for preparation, implementation, internal financial control, monitoring, reporting, accounting and internal auditing of the state Budget.

42. “authorizing officers” are highest rank employees of general government units, responsible for preparing, implementation, internal financial control, monitoring, reporting, accounting and internal auditing of their budget and are accountable to the principle authorizing officer.

43. “second level authorizing officers” are public administration employees in each dependent units of general government units, responsible for preparing, implementation, internal financial control, monitoring, reporting, accounting and internal auditing of their budget and are accountable to the authorizing officer.

44. “executive officers” are public administration employees of general government units, responsible for implementing financial management rules, keeping the accounts, and preparing financial statements and are accountable to the authorizing officer of the respective level.

45. “Government Financial Information System (GIFS)” is the financial system through which Albanian Government precedes all the processes regarding the state budget execution and financial reporting.

46. “Fiscal laws”, in terms of this law, are the laws that stipulate the level of specific taxes or duties, in specific areas of taxes and duties, national or local, tax commitments administration, as well as organization and functioning of tax administration in the Republic of Albania.

47. “State borrow guaranty” is the written agreement, that rules the rights and responsibilities of the respective parties, conditions and manners through which the state is responsible for the financial commitments of an borrower, when he cannot pay them in the due time and amount.

48. “Quasi fiscal activities” are those activities performed by non-budgetary state institutions, which have direct or indirect costs in the state budget.

49. “Investment project” is an operation comprising a series of works, activities or services intended to accomplish an indivisible task of a precise economic and technical nature, which has clearly identified goals.

## **Article 4<sup>4</sup>**

### **Functioning principles of the budgetary system**

The principles of budgetary system function are:

- a. transparency, predictability, comprehensiveness, unity, and universality in the management of budgetary system and special funds;
- b. fiscal discipline consistent with the macroeconomic stability, and stable economic and social development;
- c. allocation of resources in compliance with strategic objectives of the Council of Ministers;

---

<sup>4</sup> Amended by law no. 57/2016

- d. economic, efficient and effective use of public resources;
- e. clear responsibilities for operational management;
- f. rigorous respect for the entire process.
- g. the gender equality, which refers to the situation where man and woman have equal opportunity and access regarding the rights and benefits of the same nature.

Transparency is the provision of easily accessible, timely, understandable and internationally comparable information, integrity which can be verified independently, to the Assembly and the public about:

- a. functions, organization, activity, roles and responsibilities of the general government units;
- b. the outputs to achieve policy goals and objectives;
- c. the process of budget preparation;
- d. macroeconomic and fiscal forecast;
- e. financial statements.

#### **Article 4/1<sup>5</sup>**

#### **Fiscal principles and rules**

The budget is planned and executed, taking into consideration the below principles:

1. Public debt sustainability, which consists in:

- a) In each annual budget law, original or revised, the ratio of public debt to GDP shall be planned lower than the estimated level of the previous year, until the debt level reaches and stays under the threshold of 45% of GDP.
- b) Exception from point a) rule is made only in the exceptional cases and circumstances stipulated in article 4/4 of this law.
- c) Nominal value of GDP in ALL which is used to calculate the ratio of public debt to GDP for projected years and for previous year, cannot be higher than the one forecasted or estimated in the IMF's World Economic Outlook report, the latest published in the time when annual budget proposal is submitted for approval to the Assembly. This fact is clearly documented in the explanatory note of the annual budget proposal.
- ç) Each planned budget year includes a specific contingency of no less than 0.7% of total budget expenditure, to compensate potential risks from fluctuation of exchange rates or interest rates, affecting the debt level.
- d) In each original budget law, as well as in the medium-term budget planning, when the real growth of GDP, forecasted in the respective IMF's World Economic Outlook Report, is at least 5 percent, then the overall deficit cannot be higher than 2 percent of GDP, except for the cases of exceptional circumstances, stipulated in the letters a, b and c of the Article 4/4 of this law.
- dh) During the budget monitoring phases of the actual budget, if due to eventual revisions of GDP estimations or forecasts made by the specific institutions or due to changes in the exchange rates used for the estimation of public debt actual stock, would result that the ratio of public debt to GDP is not lower than the previous year, it shall be compensated in the budget planning process of upcoming years.

---

<sup>5</sup> Added Articles 4/1, 4/2, 4/3 and 4/4 with Law no. 57/2016.

2. Revenues from privatization are not part of the budget planning. In case of their collection, they are used not less than 50% for the public debt reduction, and the remaining part for investments.
3. Fiscal laws amendments, which affect budget revenues, happen once per year, not later than three months before the beginning of the new fiscal year. Fiscal laws are preliminarily consulted with business representatives and other interest groups, in the due structures created for this purpose.
4. The annual amount of the budget deficit cannot exceed the annual amount of capital expenditure, approved each year in the budget law.

## **Article 4/2**

### **Risk minimizing for extra-budgetary transactions**

Total stock of state guaranties, issued by the general government, is 100% included as part of the actual public debt's total stock of each budget year.

Each foreign loan, borrowed during a budget year from each general government unit, has to be included in the budget year's consolidated fiscal table of the general government, as part of the budget deficit financing.

Non general government units, which benefit from budget funds and/or state guaranties, respect the same rules and procedures regarding the scrutiny and approval of public investments, as of those of central government units. Annual financial plans and quarterly financial statements of each non general government unit, are submitted to the Ministry of Finance.

Ministry of Finance evaluates ex-ante and gives no-objection to all the concessionaire and PPP projects and any modifications, from the point of view of their eventual implications individually and as a group in the budget expenditure, budget deficit, public debt sustainability and eventual contingent liabilities.

Overall amount of Annual Net Payments of general government units, which result from concessionaire or PPP contracts, usually, shall not exceed the limit of 5% of actual tax revenues registered in the previous budget year. In case of excess to this limit, the Council of Ministers shall undertake corrective measures from the side of budget revenues, necessary and sufficient to come back into the allowed limit during the next two budget years.

The Assembly, in the annual budget law, approves the total amount ceiling of contracts as a percentage to GDP, for all existing concessionaire/PPP projects and for the ones newly contracted during the current year.

## **Article 4/3**

### **Control of budget execution in electoral years**

In the electoral budget years, where general elections are held, the execution of the general government budget deficit, except for the exceptional cases that are defined in the Article 4/4 of this law, is done in accordance with this article's definitions as follows:

- a) deficit execution, until the end of the first trimester of the budget year, cannot be higher than 30% of the budget deficit level, approved in the annual budget law
- b) deficit execution, until the end of the first half of the budget year, cannot be higher than 55% of the budget deficit level, approved in the annual budget law

c) deficit execution, until the end of the first nine-month period of the budget year, cannot be higher than 80% of the budget deficit level, approved in the annual budget law

#### **Article 4/4**

##### **Cases of Exceptional circumstances**

Exceptional circumstances, in terms of this law, are considered:

- a) Natural catastrophes or accidents, technological accidents or other unpredictable situations out of Governments control, which put in risk the life and health of Albanian citizens.
- b) When the financial system's sustainability is at risk, and the state budget intervention is considered indispensable.
- c) When the state of war is proclaimed.
- d) When the real GDP growth, forecasted in the IMF's respective report "World Economic Perspective", is 1 percent or lower than 1 percent and when, in the same time, the ratio of public debt to GDP is and remains under the level of 60 percent of GDP.

## **CHAPTER II BUDGETARY SYSTEM IN THE REPUBLIC OF ALBANIA**

#### **Article 5<sup>6</sup> State Budget**

State Budget shall include all revenues, expenditures, and financing of the central government.

State Budget comprises a reserve and unallocated contingency fund that is approved by the National Assembly in the annual budget law, up to 3% of the total value of the approved funds.

The reserve fund is used only under the circumstances of financing unusual expenditures and which cannot be foreseen in the budget preparation stage. Its approval is made by a decision of the Council of Ministers.

Contingency fund is created to afford the effects of revenue shortfalls, as well as of unpredictable interest rates.

State Budget cannot be carried over from one year to another, except those cases stipulated in this law.

State Budget shall be balanced in terms of receipts and payments.

All revenues and expenditures of the State Budget shall be stated in gross terms.

#### **Article 6<sup>7</sup> Local Budget**

---

<sup>6</sup> Amended by law no. 57/2016

<sup>7</sup> Amended by law no. 57/2016

Local budget includes all the revenues, expenditures and financing of the local government units.

The local budget comprises a reserve and unallocated contingency fund, which is approved by a decision for the annual budget of the council of local government unit, up to 3% of the total value of the approved funds, excluding conditional transfers.

The reserve fund is used only under the circumstances of financing unusual expenditures which cannot be foreseen in the budget preparation stage. Its approval is made by a decision of the council of local government unit.

Contingency fund is created to afford the effects of revenue shortfalls.

Local budget shall be balanced in terms of receipts and payments.

All revenues and expenditures of the local budget shall be stated in gross terms.

## **Article 7 Special Funds**

Special fund of central or local government units is established by a special law, proposed by the minister responsible for finance, hereinafter called minister of finance, in the Council of Ministers. The local government special funds are proposed to the minister of finance from council of the local government units.

The law for the establishment of a central or local government special fund shall define:

- a. the scope of establishing the special fund
- b. the administrative unit of the special fund that may be a central or local government unit, independent or controlled by another unit.
- c. means of financing and balancing of the special fund
- d. means of consolidating with central or local government accounts
- e. duration and way of closing of the special fund.

Special fund includes all the revenues and expenditures of a special fund unit.

The procedures for the proposal and approval of the special fund budget of central or local government shall be the same as the State Budget.

Special funds of the central government units shall be presented to the National Assembly together with the state budget.

Special funds of the local government units shall be presented to the local government council together with the local budget.

No extra budgetary fund shall be created that is not a special fund.

## **Article 8<sup>8</sup> Management of financial resources of general government**

Receipts and payments of the general government shall be made through the single/unified treasury account kept in Lek and foreign currencies. The single treasury account is kept in the Bank of Albania.

The finance minister, if required, can maintain a limited number of accounts in the Bank of Albania for the special funds, for project financing or to manage efficiently the monetary resources.

The finance minister is authorized to enter into agreements with the Bank of Albania and second tier banks for the banking operations, and management of the monetary resources of the general government.

---

<sup>8</sup> Amended by law no. 57/2016



The surplus of the monetary resources temporarily unused of the general government accounts in the Bank of Albania may be invested according to the procedures defined by an instruction of the minister of finance.

## **Article 9 Receipts**

Receipts include, but are not limited to:

- a. receipts from reciprocal transactions
  - revenues from the sale of goods and services
  - revenues from the sale of long term assets
- b. receipts from non-reciprocal transactions
  - revenues from taxes and tariffs
  - revenues from ownership
  - revenues from grants
  - revenues from obligatory transactions;
- c. receipts from financial transactions
  - revenues from interests
  - receipts from borrowing
  - other revenues from the execution of administrative and penal sanctions;
- d. receipts from custody, guarantees, and other kinds of assets in custody.

## **Article 10 Payments**

Payments include but are not limited to:

- a. payments from reciprocal transactions:
  - expenditures for the purchase of goods and services;
  - expenditures for purchasing or creating long-term assets;
  - payments for lending;
- b. payments from non-reciprocal transactions:
  - governmental transfers;
  - grants, contributions and donations;
  - expenditures for renting;
- c. financial payments:
  - interests expenditures;
  - expenditures for financial rents;
  - payments of debt principals;
  - custody payments

## **Article 11 Budgetary Classifications**

Budgetary classifications shall be approved by a minister of finance order, with the proposal of the principal authorizing officer in compliance with international standards.

Budgetary classifications shall include minimally:

- a. an administrative classification which represents a classification of the general government units up to a spending unit level.
- b. an economic classification which represents the classification based on the nature of economic transaction.

- c. a functional classification which represents a detailed classification according to the functions or socio-economic objectives that the general government units aim to achieve.
- d. a program based classification which represents programs, subprograms and projects according to the objectives of the general government units.
- e. a classification by source of financing.

The classification of the local budget and special funds is the same as the State Budget classification.

The coding and denominations of the budgetary classification and accounts are unified for all general government units.

### **Article 12<sup>9</sup>** **Budgetary deficit and surplus**

The budget deficit, in a fiscal year, is the difference between revenues and expenditures, when the expenditures are higher.

Budget suffice, in a fiscal year, is the difference between revenues and expenditures, when the revenues are higher.

The annual budget law determines the use of the budget suffice and the ways of financing the budget deficit

The budget deficit is financed from the domestic and foreign loans.

The local budget is balanced, except for the cases when it borrows to finance capital expenditure, that serve to a specific function of the local government unit.

Special funds are always balanced, thus cannot have deficit.

### **Article 13** **Budget Year**

The budget year for all general government units begins on 1<sup>st</sup> January and ends on the 31<sup>st</sup> December.

## **CHAPTER III** **ROLES AND RESPONSIBILITIES OF BODIES IN THE BUDGETARY PROCESS**

### **Article 14** **The competencies of the National Assembly**

The National Assembly, by a specific law, approves budgetary revenues and appropriations for the central government units, unconditional transfers for local government units and their special funds, through which it gives the right to undertake expenditures in exercising their functions, as well as the financing sources of the budget deficit.

---

<sup>9</sup> Amended by law no. 57/2016

**Article 15**  
**The competencies of the council of local government units**

The council of the local government unit approves, by special decision, annual budgetary revenues and appropriations for the local government units and their special funds, through which it gives the right to undertake expenditures in exercising their functions as well as borrowing for investment projects.

**Article 16<sup>10</sup>**  
**The competencies of the Council of Ministers**

The Council of Ministers approves the main directions of the government general policy and based on them proposes the annual budget law to the Assembly. Council of Ministers establishes financial rules and standards regarding the public expenditure, which are mandatory to be implemented by all general government units.

The finance minister is the responsible authority that establishes a system of rules, standards and procedures that shall ensure the economic, efficient and effective management of the public financial resources.

**Article 17**  
**The competencies of the chairman of local government unit**

The chairman of the local government unit shall propose the main directions of policies of the local government unit and proposed budget to the respective council of the local government unit.

**Article 18<sup>11</sup>**  
**Principle Authorizing Officer**

The general secretary of the ministry of finance is the principle authorizing officer for the budget and central government units, special funds and transfers to the local government units.

The principle authorizing officer is accountable to the finance minister for the management of the budgetary system and the public internal financial control according to this law, the annual budget law and other sub-laws.

**Article 19<sup>12</sup>**  
**Authorizing officer**

Authorizing officers of central government units are public administration employees of the highest rank of the civil service. In the Ministry of Finances, the principal authorizing officer appoints an employee of the higher rank as the authorizing officer. In the general government

---

<sup>10</sup> Amended by law no. 57/2016

<sup>11</sup> Amended by law no. 57/2016

<sup>12</sup> Amended by law no. 57/2016

units that are not part of the executive power, the authorizing officer is the employee of the highest managerial rank. The authorizing officers of the local government units are Mayors or their deputies in cases when the Mayor decides to delegate this responsibility. The authorizing officer of the spending unit shall be the head of the spending units. The head of the general government unit shall inform the principle authorizing officer for the authorizing officer of the unit.

The authorizing officer is responsible for the financial management of the general government unit where he has been designated, in compliance with the principles defined in article 4 of this law. The authorizing officer in the moment of appointment shall inform the relevant treasury unit for firm deposit, associated with the actions in treasury.

The responsibilities of financial management include, but are not limited to:

- a) the preparation, execution, internal financial control, monitoring, accounting and reporting of the budget of the general government unit.
- b) ensuring efficiency, effectiveness, and economy use of public resources.

The authorizing officer acts in accordance with the provisions of this law and the sub-laws issued in accordance with this law.

The authorizing officers of central government units and special funds units of central government are accountable and report to the principle authorizing officer for the preparation, implementation, internal financial control, monitoring, reporting and accounting of their budget.

The authorizing officer of the general government unit shall designate the second level authorizing officers, head of the programs, subprograms, to each structure and direct subordinate unit, for which is identified a special budget. In public units scaled with several level of spending units, authorizing officers are designated by the head of the institution as a second or third level authorizing officer.

The authorizing officer of the local government unit is accountable and reports to the principle authorizing officer for the preparation, execution, public internal financial control, monitoring, reporting and accounting of budget for the respective local government unit, in compliance with legislation basis into force.

The authorizing officer of the local government unit and special funds of local government is accountable and report to the council of local government unit about the preparation, execution, public internal financial control, monitoring, reporting and accounting and internal auditing of budget or special funds, for all the functions of the local government unit and special funds.

The authorizing officer of the local government unit may designate an officer of the public administration as a second-level authorizing officer in the local government unit.

## **Article 20<sup>13</sup>**

### **Executing Officer**

The executing officer is the head of the finance unit in each general government unit, who fulfills the special employment criteria, as well as covers the responsibility areas determined in the legislation for financial management and control.

The authorizing officer of the general government unit, at all levels, in the moment of nomination of the executing officer, informs the Principal Authorizing Officer and the respective TDO about the signature deposit, regarding the treasury transactions.

## **Article 21**

### **Documenting and reporting of orders not in compliance with the dispositions**

---

<sup>13</sup> Amended by law no. 57/2016

An instruction or order for the operational management to authorizing or executing officers, written or verbal, by the head or persons delegated by him of a general government unit, which is in conflict with dispositions on financial management, shall be subject of a written report by the authorizing or executing officers to the one issuing the order or head of unit as it is the case.

The written report includes:

- a. explanations on the legal base for opposing the order and
- b. request for its annulment or confirmation.

The authorizing officer executes the order upon written confirmation of the order, and sends a copy of the report to the principle authorizing officer, who informs the minister of finance. Upon written confirmation of the order, in case of communications between the minister of finance and principle authorizing officer, a copy of the report is sent to the High State Control.

Rules stipulated in the first and second paragraph of article 21 shall be applied also for communications amongst different levels of authorizing and executing officers.

## **CHAPTER IV PREPARATION, ANALYSIS AND APPROVAL OF THE STATE BUDGET**

### **Article 22**

#### **Preparation of Public Expenditure Management Calendar**

The finance minister prepares and proposes to the Council of Ministers the public expenditure management calendar including the detailed deadlines for the public expenditure management process.

The public expenditure management calendar is approved as an element of the strategic planning calendar by the Council of Ministers and comes into effect on the first day of each year.

### **Article 23<sup>14</sup>**

#### **Macroeconomic and Budgetary Assessment and Forecast**

Within the month of January, Minister of Finance submits for approval to the CoM, the report on macroeconomic and budgetary assessments and forecasts, for

- a) t-2 and t-1 budget years;
- b) current budget year;
- c) t+1, t+2 and t+3 budget years.

This report shall include:

- a) assumptions and methods used in making the macroeconomic and fiscal forecasts/assessments, including a statement and assessment of risks for the sustainability of macroeconomic stability of the country;
- b) recent assessments of economic situation based on official data and comparison with previous forecasts.
- c) estimates of general government revenues under existing policies and proposals for new or amended policies;
- ç) estimates of general government expenditures under existing policies and proposals for new or amended policies;

---

<sup>14</sup> Amended by law no. 57/2016

- d) estimates of the general government deficit and its financing which can be sustained without compromising fiscal discipline and fiscal stability;
- dh) detailed information on domestic and foreign debt stock, for each sector of the general government.

Macroeconomic assessment and forecast is approved by a decision of the Council of Ministers and is sent for information to the National Assembly by March 10th. The finance minister shall answer questions about assessments and forecasts made by the government, upon request of the Assembly Commission responsible for public finances.

Within the month of February, based on the approved macroeconomic assessment and forecasts, the Minister of Finance prepares the preparatory expenditure ceilings of medium term budget program, and submits them for approval to the Council of Ministers

### **Article 24<sup>15</sup>** **Budget Preparation Instruction**

The minister of finance, upon approval by the Council of Ministers within the month of February shall approve and shall issue to the general government units, both:

1. The central budget preparation instruction, which shall include:
  - a) preparatory expenditure ceilings of medium term budget program;
  - b) deadlines for the preparation of the medium term budget program and annual budget proposal;
2. The local budget preparation instruction, which shall include:
  - a) unconditional medium term transfers for local government units;
  - b) regulations for sharing or delegating functions between central government units and local government units, and
  - c) methods of calculating unconditional and conditional transfers for local government units.
  - ç) deadlines for the preparation of the medium term budget program;

The authorizing officers of general government units shall prepare and submit medium term budget program requests and additional budget requests, in compliance with requirements and within the deadlines set in the respective instructions of the minister of finance.

All the standard procedures for the medium term budget requests preparation are approved by a specific instruction of the minister of finance.

### **Article 25<sup>16</sup>** **Draft medium-term budget programme**

Ministry of Finance analyzes and assesses medium term budget requests for each central government unit. These analysis reports shall be presented in hearing sessions held in the Ministry of Finance with each government unit, according to a pre-established calendar. The Ministry of Finance holds the due consultations with local government units and the civil society, interested in the budget programming process. The conclusions of hearing and consultation sessions are consolidated into the draft document of Medium Term Budget Programme, and the principal authorizing officer shall submit it to the Minister of Finance.

Each public investment proposal, with a total value above a certain level, shall undergo through a complete appraisal process, ahead of the budget process. The limit level is determined

---

<sup>15</sup> Amended by law no. 57/2016

<sup>16</sup> Amended by law no. 57/2016

in the guideline of the Minister of Finance. The evaluation process is performed by the respective line ministry which submits the proposal for public investment project, according to the procedures for public investment management, including priority and eligibility criteria, which are proposed by the Ministry of Finance and approved by CoM Decision. The respective proposal is submitted to the Ministry of Finance, as integral part of the budgetary requests of the medium-term budget program.

Within the month of June, Council of Ministers approves by decision the draft of medium term budget program and the respective final budget expenditure ceilings. The Minister of Finance sends a copy of the medium term budget program to the Assembly for information purposes and, and shall answer questions about it upon request of the Assembly's Commission responsible for public finances.

The principal authorizing officer, within the month of July of each year, informs all the local government units and special funds units about the fund transfers from the central government units, as well as about the share and amount of the national taxes, detailed in the budget proposal.

### **Article 26<sup>17</sup>** **Medium-term budget programme**

The medium term budget program reflects the medium term budget requests of general government units, which are presented accordingly to the rules and deadlines foreseen in the respective instruction of the Ministry of Finance.

The medium term budget program includes:

1. A summary of the main macroeconomic and budgetary indicators, which are approved by the Council of Ministers as part of the medium term budget program document.
2. A summary report of economic and fiscal policies, for the next three upcoming years;
3. A detailed report about the budget requests submitted by the central government units, within the budget ceilings approved by decision of Council of Ministers, as well as about the additional budget requests;
4. The comprehensive documentation submitted by central government units, accordingly to the standard formats, which shall minimally contain: program policy goals, program policy objectives, investment projects, program outputs and their respective budget costs.
5. A summary report of hearing sessions' conclusions, among central government units and civil society, held during the budget requests' preparation process.

The medium term budget program is also accompanied by an Annex, that includes:

- a) Calculation methodology and amount of local government units unconditional transfer;
- b) Amount and purpose of conditional transfer, that state budget allocates for local government units;
- c) National taxes, shared with the local government, and the respective share for the next three upcoming budget years.

### **Article 27<sup>18</sup>** **Complementary budget preparation instruction**

---

<sup>17</sup> Amended by law no. 57/2016

<sup>18</sup> Amended by law no. 57/2016

Upon approval by the Council of Ministers of the final expenditure ceilings of medium term budget program, within the 10th of July, the minister of finance shall issue:

1. The complementary central budget preparation instruction which shall include:
  - a) final expenditure ceilings of medium term budget program, approved by CoMD;
  - b) deadlines for the revision of the medium term budget requests, based on the approved final expenditure ceilings;
2. The complementary local budget preparation instruction, which shall include:
  - a) revised unconditional medium term transfers for local government units;
  - b) eventually revised regulations for sharing or delegating functions between central government units and local government units, and
  - c) eventually revised methods of calculating unconditional and conditional transfers for local government units.
  - ç) deadlines for the revision of the medium term budget requests;

The authorizing officer of a general government unit and central government special fund units shall submit revised medium term budget programme requests and additional requests with respective arguments to the principal authorizing officer by 1<sup>st</sup> of September.

Authorizing officers of local government units and their special funds units shall submit to the Chairman of the relevant council the draft budget for the following budget year within the deadlines set in the complimentary instruction.

The unit responsible for budget in the ministry of finance, under the guidance of the principal authorizing officer, shall analyze and evaluate the revised medium term budget requests and additional requests and shall prepare a report with conclusions and recommendations for each central government unit. This report shall be presented in hearings held in the ministry of finance with each central government unit according to a pre-established calendar. The conclusions of hearings shall be consolidated into the Revised Draft Medium Term Budget Programme by the principal authorizing officer who shall submit the revised document to the finance minister.

## **Article 28**

### **Revised medium-term budget programme**

Revised medium term budget programme is presented to the Council of Ministers by the minister of finance for approval, along with the annual state budget draft, only after completion of the revision of the medium term budget programme requests according to the complementary budget instruction.

Minister of finance shall submit for information to the National Assembly a copy of the revised medium term budget programme approved by the Council of Ministers.

## **Article 29<sup>19</sup>**

### **Draft annual budget**

The principle authorizing officer shall prepare a draft annual budget, with three-year based ceilings, based on the medium term budget program, and shall present it to the Minister of Finance, who shall submit it for approval to the Council of Ministers, together with the revised Medium Term Budget Programme, as set in article 28 of this law. The draft annual budget shall include the basic and illustrating documentation, as follows:

---

<sup>19</sup> Amended by law no. 57/2016



Basic documentation:

- a. planned budgetary funds, by budget programs, for each central government unit, for the coming year (t+1), separately for current and capital expenditures;
- b. expenditure ceilings by programs, for year t+2 and t+3 of MTBP;
- c. a summary table of budget revenue and expenditure, by main items, for fiscal years (t-2) and (t-1), as well as for the three upcoming years;
- ç. number of budget employees, for each central government unit, for the coming year (t+1);
- d. unconditional transfer for year t+1, for each local government unit. Total of transfers only, for year t+2 and t+3 of MTBP;

Illustrating documentation:

- a) Detailed information on budget expenditure by budget classification, and costs of public investment projects;
- b) List of public investment projects, by programs, which for each project contains:
  - i. Total cost;
  - ii. Financed amount until the end of previous budget year;
  - iii. Forecasted amount to be financed during the budget year;
  - iv. Remained amount to be financed in the upcoming budget years
  - v. Financial sources;
- c) An explanation about the purpose and costs of quasi-fiscal activities undertaken by non-general government units, as well as a presentation of tax expenditures.
- ç) List of spending units, by general government units from which they depend.
- d) Main program objectives for each central government unit.
- dh) Correct observance and implementation of principles established in Article 4 and 4/1 of this law, in the budget proposal.
- e) Public debt forecasts and its harmonization with fiscal sustainability objectives.
- ë) Fiscal risks and protective measures
- f) Contingent liabilities of general government and the possibility for them to be included as commitments in the next budget year.
- g) Full list of existing concessionaire/PPP projects, their total contracted investment value and budgetary implications, for each project.

Within the October 15th of each year, Council of Ministers approves by decision the Draft Annual Budget and the revised medium term budget program.

Within 10 days after the decision of the Council of Ministers for the approval of the annual budget and revised medium term budget program, the principal authorizing officer shall inform each local government unit and each local government special fund unit about the transfers from the central government and for the share and amount of the shared national tax in the draft budget.

Within October 20th the Prime Minister, on behalf of the Council of Ministers, submits the annual budget proposal to the Assembly, for approval.

After the Council of Ministers approval, the Ministry of Finance shall publish the whole documentation regarding the annual budget proposal.

**Article 30<sup>20</sup>**  
**Approval of the annual state budget**

---

<sup>20</sup> Amended by law no. 57/2016

The annual state budget shall be approved by Assembly within the 15th of December, in accordance with the specifications of Article 29, basic documentation/points “a”, “b”, “c”, “ç”, “d”.

Council of Ministers may propose the approval of the annual state budget by Assembly at a more detailed level, in compliance with the principles as stated in article 4 of this law.

### **Article 31**

#### **Publication of the annual budget and medium-term budget programme**

The annual budget law and all its components shall be published in the Official Gazette.

In January, after approval of the annual budget law by the National Assembly, the principal authorizing officer shall consolidate any changes in the final medium term budget programme document.

Within February, the minister of finance shall publish the final medium term budget programme document.

### **Article 32<sup>21</sup>**

#### **Preparation and approval of local budgets**

Local government units prepare and approve their local budget and medium term budget program. Deadlines and procedures for the preparation of the medium term budget are set out by an instruction of the Minister of Finance.

For functions and competences shared with the central government, local government bodies cooperate with line ministries and budget institutions. Details and forms of cooperation are set out in a common instruction of the Minister of Finance the minister responsible for local government.

Usually, within the month of November of each budget year, the chairmen of local government units shall submit draft local budgets to their respective councils.

The council of local government unit, within December 25th, shall approve the local budget on the basis of the forecasts of their own revenues and unconditional transfers as set out in the annual budget law.

### **Article 33**

#### **Publishing of the local budgets**

Budgets of Local Government units shall be published in the public announcements bulletin 15 days after the approval by the respective councils.

### **Article 34**

#### **Making the Annual Budget Law Effective**

If the annual budget is approved by the National Assembly within the budget year, but is not yet effective on January 1<sup>st</sup> or if the remaining time is not sufficient to conclude the procedures for initiating budget execution on January 1<sup>st</sup>, the minister of finance issues a special

---

<sup>21</sup> Amended by law no. 57/2016

instruction which shall regulate the budget process up to when the annual budget law enters into force and the finalization of procedures for its implementation.

The special instruction ensures continuation of the delivery of goods and services, including the implementation of investment projects which have started in the previous budget year and which are forecasted to continue in the current budget year.

### **Article 35 Interim Budget**

If the National Assembly does not approve the proposed budget by the day preceding the start of the budget year, the Council of Ministers shall authorize, by decision, before the first day of the beginning of the budget year, the implementation of an Interim Budget for the period from the first day of the budget year until the end of the third month of the budget year.

Interim budget expenditures for each month and for each programme of each general government unit shall not exceed one twelfth of the actual expenses of the programme financed by the Budget in the previous budget year.

If revenues collected by law are insufficient to cover the expenditures foreseen in the Interim Budget, the minister of finance may borrow each month up to one twelfth of the total amount borrowed to finance budgetary deficit in the previous budget year.

The proposed Interim Budget shall ensure:

- a. general government units to exercise their functions and responsibilities according to the law.
- b. continuation of the delivery of goods and services including the implementation of investment projects started in the previous budget year and which are foreseen to continue in the budget year.

### **Article 36 Budget after interim budget period**

The Prime Minister, during the period of interim budget, shall present the proposed Budget to the Assembly under expedited procedure so that its approval takes place until the last day of the Interim Budget period.

In the event of non approval within the interim budget period, Council of Ministers, by a decision, shall authorize making the expenditures for each programme of each general government unit up to an amount that shall not exceed one twelfth of the actual expenses of the programme financed by the Budget in the previous budget year and for each month until the Assembly approves the proposed budget.

Paragraphs 3 and 4 of article 35 shall also be applied for the period after interim budget.

### **Article 37<sup>22</sup> Interim local budgets**

If the council of local government units does not approve the proposed Local Budget by the first day of the budget year, the chairman of the respective local government council shall authorize expenditures each month up to one twelfth (1/12) of the actual expenditures of the local government financed in the previous budget year (from local government unit's unconditional transfer and own revenues), to ensure continuity of goods and services delivery, including the implementation of investment projects started in the previous budget year and that

---

<sup>22</sup> Amended by law no. 57/2016

continue during the budget year. Conditional transfer funds, grants or specific projects, are completely financed according the destination of the institution delivering them.

## **CHAPTER V BUDGET IMPLEMENTATION**

### **Article 38 Budget Implementation Instruction**

The minister of finance shall issue budget implementation instructions in which rules, procedures and deadlines shall be established for authorizing and executive officers at all ranks during the budget implementation process. The instruction shall be in the format of a standard instruction or it shall be prepared and approved for each budget year. In those cases when the instructions are standard, a complementary instruction shall be approved each budget year in which rules, procedures and specific deadlines, or those deadlines that are not specified in the standard budget implementation instruction, shall be established. Instructions prepared for each budget year must be approved and shall enter into force before the beginning date of the budget year and not later than 10 days after entering into force of the annual budget law, when the annual budget law is approved late.

### **Article 39 Collection and maintenance of public money**

The approved revenues of the annual budget law consist of the minimum limit to be collected during the budget year.

The general government units, responsible for revenue collection, are responsible for full collection of revenues within the deadline specified in the annual budget law.

All the monetary assets collected by general government units shall be deposited, immediately after collection, to the treasury account in accordance with the rules and procedures defined in article 8 of this law. The same rules and procedures are also obligatory for the collection of revenues during the budget year, even if they have not been planned and approved in the state budget law or the decision of approval of the budget of the council of the local government unit.

The Council of Ministers, with proposal of the minister of finance, regulates the relationships and procedures between the Ministry responsible for Finance and the general government units in regards to the approval, delivery and reporting of grants.

Revenues deposited in the Treasury Account shall be recorded as revenues of the budget year in which they have been deposited.

The local government revenues deposited in the treasury account as local taxes, national taxes and unconditional State Budget transfers unused during the budget year, shall be carried forward in the next budget year.

### **Article 40<sup>23</sup> The right to make expenditures**

Usually, the authority to make expenditures, within the limit of approved funds, expires on the last day of the budget year, even if the one year or multi-year contract continues in the

---

<sup>23</sup> Amended by law no. 57/2016

next budget year. For local government funds, from unconditional transfer or local revenues, the right to make expenditures is in accordance with the definitions of the respective law which regulates the organization and functioning of the local units.

The Minister of Finance establishes a system of rules and procedures, to make sure that the multi-year commitments are within the three-year ceilings approved with the annual budget law.

For multiyear budget commitments related to new public investment projects, during the first year of their implementation is not allowed to allocate less than 20% of total amount of the projects in the budget of the respective general government unit.

Each general government unit, before the starting of a one or multi-year procurement procedure, is obliged to take a confirmation from Ministry of Finance, proving that the funds to be procured are within the approved commitment limit. General government units that perform directly into the Government's financial information system for their budget execution and reporting shall register their commitment into this system, within five working days from the date of their undersigning against the procurement order.

Three-year based commitment limits for each general government unit are set out in accordance to the principle of public debt sustainability. The reserve for debt level preserving is proportionally divided among general government units. The commitment limit for local government units is determined by decision of the council of the local government unit, and it is registered into the government's financial information system.

#### **Article 41<sup>24</sup>**

##### **Information on the approved funds by the National Assembly**

Within ten days after the annual budget law is published in the official gazette, the principle authorizing officer informs in writing mode the authorizing officers of each general government units on their budget funds approved by the Assembly.

#### **Article 42**

##### **Allocation of budgetary funds**

The principal authorizing officer shall propose to the minister of finance the allocation of budget funds for each general government unit by program and by expenditure article, which may be less than the total of funds approved by the Assembly for those units and for periods less than one year.

The allocation of budgetary funds shall be based on forecasts of inflows and commitments and shall ensure the efficient use of financial resources and fiscal macroeconomic stability.

After approval of the minister of finance, the principal authorizing officer shall inform in writing the authorizing officers of each general government unit of budget allocations according to the budget classification, within 10 days of the decree of the annual budget law by the President.

At the same time, the principal authorizing officer shall inform local government units in writing regarding the budget allocations for the unconditional transfers within the deadlines set out in the budget implementation instruction of the minister of finance.

The authority of the minister of finance to allocate budgetary funds and the special funds approved by the Assembly expires at the end of the budget year.

---

<sup>24</sup> Amended by law no. 57/2016

## **Article 43**

### **Breakdown of the budgetary funds**

Authorizing officers shall provide a breakdown of budgetary funds for the spending units of the general government in accordance with budget allocations approved by the finance minister and priorities of the general government units.

Authorizing officers of each general government unit present to the principal authorizing officer a proposal on the budget breakdown by each spending unit, in accordance with the budget implementation instruction.

The principal authorizing officer shall approve the breakdown of funds for each spending unit and shall be responsible for ensuring that the breakdown of budgetary funds is reflected on time in the Treasury System.

The allocation of the approved funds for each spending unit authorizes the principal authorizing officer and the authorizing officers of general government units to undertake commitments and make payments within the time and quantity limits set.

## **Article 44**

### **Budget reallocations**

The rights and limits for reallocations of funds previously allocated and broken down, when the budget has been approved at the program level by the Assembly according to article 30 of this law, are as follows:

For central government units:

- a. reallocation of funds between programs, within central government unit, and for various general government units, shall be approved by the Council of Ministers and shall not exceed 10% of the total fund approved for the program;
- b. reallocations of funds of investment projects within program of the central government unit shall be approved by the minister of finance;
- c. reallocations between current expenditure items within program shall be approved by the principal authorizing officer;
- d. reallocations within programme and current expenditure item, between various spending units shall be approved by the authorizing officer of the central government unit from which the spending unit is a subordinate body.

For the local government units:

- a. reallocations between programs shall be approved by the Council of the local government unit;
- b. reallocations of capital projects shall be approved by the Chairman of the local government unit;
- c. reallocations between current expenditure items of the same program are approved by the chairman of the local government unit;
- d. reallocations within the same program and current expenditure item between various spending units, shall be approved by the authorizing officer of the local government unit from which the spending unit is a subordinate body.

The authorizing officers who request reallocations under the provisions of the first paragraph of this article, points a), b) dhe c) shall submit to the principal authorizing officer in writing:

- a. the reasons for reallocations
- b. amounts of reallocations and

- c. changes in the allocations of funds that are required from the reallocation of budgetary funds.

For re-allocations made under the provisions of the first paragraph of this article, points c) and d), authorizing officers of central government units shall inform the principal authorizing officer by the end of the month in which the reallocation decision was made.

The authorizing officers who request reallocations under the provisions of the second paragraph of this article, points a) and b) shall inform the council of the local government units in writing of:

- a. the reasons for reallocations;
- b. amount of reallocations and
- c. changes in the allocations of funds that is required from the reallocation of the budgetary funds.

The principal authorizing officer shall ensure that the approved reallocations under the provisions of the first paragraph of this article are reflected in the treasury system.

Once the council of the local government unit has approved the reallocation, the authorizing officers of the local government unit shall formally inform the treasury system, which must reflect the changes on time.

In cases when the budget is approved by the Assembly at a level more detailed than a program level, according to article 30 of this law, the rights and limits for fund reallocations shall be determined in the annual budget year.

#### **Article 45** **Supplementary funds requests**

Authorizing officers of central government units shall submit to the principal authorizing officer a supplementary fund request for expenses that were unforeseen at the time the budget was prepared and that cannot be postponed to the following budget year.

The authorizing officers of the local government units shall submit such requests to the respective council unit.

The request for supplementary funds must provide the rationale for such requests by specifying:

- a. the reasons of why such expenditure could not be planned during the budget preparation process;
- b. the outputs to be achieved by financed activities in the supplementary requests;
- c. how these outputs contribute to policy goals and policy objectives;
- d. what other approved budgetary funds should be reduced in order to provide the necessary funds and the consequences of such reduction on the achievement of other policy objectives.

The principal authorizing officer shall analyze the supplementary funds requests of central government units and make recommendations to the minister of finance on whether to accept or refuse the requests.

In those cases when the supplementary fund request is in accordance with the rights and limits set in the first paragraph of article 44, their proposal and approval is done according to the specifications in this article.

If the supplementary budget request cannot be accepted in accordance with the rights and limits set in the first paragraph of article 44, then the minister of finance shall propose to the Council of Ministers its realization by using the State Budget the Reserve Fund.

The minister of finance shall inform in writing, periodically, the Assembly on supplementary Budget Requests approved by the Council of Ministers, by using the State Budget

Reserve Fund, and give answers to related questions by the Parliamentary Commission responsible for public finances upon the request of the Head of this commission.

The authorizing officers of local government units shall analyze the supplementary requests of spending units and shall recommend to the chairman of council of the respective unit whether to accept it or refuse it.

If the supplementary funds request is accepted in accordance with the rights and limits set in the second paragraph of article 44, then their proposal and approval shall be done according to the specifications set in this article.

If the supplementary budget request cannot be accepted in accordance with the rights and limits set in article 45, the chairman of the local government unit shall propose to the respective Council to fulfill it through the local government unit Reserve Fund.

#### **Article 46<sup>25</sup>**

#### **Budget Implementation Review**

In the month of June of each year, but no later than the submission date of the draft Medium Term Budget Programme to the Council of Ministers, the Minister of Finance shall submit to the Council of Ministers the medium term budget program and a report on the state budget implementation for the ongoing year, which is made public. This report shall include:

- a. An overall assessment of the country's economic situation and of its macroeconomic, fiscal and budgetary indicators, for the 5-month period of the current year.
- b. An estimated assessment of macroeconomic, fiscal and budgetary indicators, regarding the remaining period until the end of the year.
- c. Measures that are foreseen to be undertaken by the government, in order for the indicators to be accomplished accordingly to their forecast.
- d. Minister of Finance's proposal, regarding the possibility for a budget revision

If the Council of Ministers decides to change the Annual Budget Law, the procedure for its amendment shall be the same as the procedures set in article 29 of this law for the approval of the proposed state budget.

If the approval of amendments does not occur within the month of July, then the proposal to change the Annual State Budget Law shall be voted with an expedited procedure.

#### **Article 47**

#### **Local Budget Implementation Review**

The chairman of the local government unit shall conduct a complete analysis of the budget implementation within the month of June of each year, and, if necessary, respective proposals for changing the decision of the council of the local government unit which has approved the annual budget. The procedures for the analysis, approval and implementation of changes in the decision of the council of the local government unit shall be the same as those of the decision for approving the annual budget.

#### **Article 48**

#### **Deadline for Reallocation of Budgetary Funds**

The right of general government units for reallocations of the approved annual budget funds is valid until November 15<sup>th</sup> of the budget year.

---

<sup>25</sup> Amended by law no. 57/2016



## **Article 49**

### **Cash Flow Plan**

Each General Government Unit shall prepare a cash flow plan based on the approved budget funds for the budget year.

The first draft of the cash flow plan shall be submitted to the Ministry of Finance with the draft annual budget and shall include:

- a. estimate of revenues to be collected and other inflows;
- b. plan of procurements and other forecasted commitments and,
- c. forecast of payments arising from commitments.

After approval of the budget by the Council of Ministers, the central government units shall revise the cash flow plan, broken down in months or other periods of time as set out in the budget implementation instruction. The revised plan shall be deposited for revision and approval to the principal authorizing officer within 10 days after the decision of the Council of Ministers for the approval of the draft budget.

The principal authorizing officer shall approve the cash flow plans of central government units as well as unconditional transfers to the local government units, instantly after the decree of the Annual Budget Law by the President. This approval shall be done based on the analysis of revised cash flow plans and must be in accordance with:

- a. annual limit of approved funds;
- b. government and Assembly policies as set out in the budget;
- c. the best financial practices, and
- d. the implications of cash management.

The principal authorizing officer shall be responsible for the approved cash flow plans of the general government units to be reflected on time in the Treasury System.

The treasury system checks commitments, expenditures and cash surpluses of the general government against the budget allocations and cash flow plans, and plans the short and long term borrowings in order to ensure the necessary cash balances to pay-off general government financial obligations.

The principal authorizing officer shall revise the cash flow plan during the budget year with or without a proposal from the authorizing officers of other general government units, based on continuous monitoring of the execution of the cash flow plan and cash management policies.

The authorizing officer shall be responsible to comply with the approved cash flow plan and provide justification for any revision or non-compliance in line with the criteria as set out in the budget implementation instruction.

## **Article 50**

### **Budgetary commitments**

The minister of finance shall issue instructions for all authorizing officers on procedures of recording the commitments.

Authorizing officers of general government units shall maintain information on financial commitments, and shall not allow undertaking of any new commitment if that exceeds the limit of the budget appropriation.

For expenditures financed by borrowing, as set out in the state budget law and budget decision of the local government unit council, the principal authorizing officer, shall ensure, through the treasury system, that no commitments and payments shall be made before the lender has transferred the funds in the treasury account.

As an exception, principal authorizing officer have the right to make commitments or execute payments aligned with expected disbursements from signed loans only in the cases when

their cancellation or postponement would result with severe consequences for achievement of government goals. Under these circumstances, commitments and payments are made in accordance with the cash balance of the treasury accounts and within the budget year and the approved annual deficit limit.

### **Article 51<sup>26</sup>** **Commitments management**

Monetary assets created from current year commitments and which are unpaid at the end of the budget year shall be carried forward in the next budget year according to the period established in the state budget law, with the exception of cases where the commitment is cancelled or made inactive, according to the criteria set out in the budget implementation instruction.

Monetary assets related to previous year commitments which are cancelled during the budget year, shall be returned to the Single Treasury Account so they can be included in upcoming budget years.

The cancelled commitments may be re-activated during the same budget year by the spending unit for the same purposes for which they have been budgeted, according to the first paragraph of article 43 of this law. The authorizing officer of the general government unit may undertake new commitments during the budget year, but not later than October 15th of each budget year.

Commitments made by spending units, which exceed planned budget funds in the annual budget law or in the council budget decision of local government unit or in conflict with this law or other laws, will not constitute general Government's financial obligation.

If the authorizing officer of the general government unit undertakes commitments which exceed the budget funds or which are in conflict with this act or other legal bylaws, s/he shall be held responsible to pay off the obligation.

### **Article 52<sup>27</sup>** **Making Expenditures**

The process and the responsibilities for authorizing and making public expenditures are established on law on public internal financial control.

Expenditures of general government units shall be recognized based on full documentation which proves the occurrence of the expenditure, according to the law on public internal financial control.

Executing officers of general government's spending units submit to the respective treasury unit, the justifying expenditure documentation for payments towards economic operators, within 30 days from the date of the original invoice, of the economic operator.

Expenditures shall be made only if they do not exceed the amount of funds committed for this reason.

Expenditures resulting from previous years' commitments, in accordance with special dispositions of the state budget law, must be included in the budget of the coming year.

Expenditures from the state budget and local budget must be made up to the end of the budget year.

---

<sup>26</sup> Amended by law no. 57/2016

<sup>27</sup> Amended by law no. 57/2016

Beyond the deadline set in the previous paragraph, the commitments shall be paid with the funds approved in the budget of the coming year, with the exception of cases when the expenditures are made before the end of the previous budget year. In that case the payment shall be made up to the 31<sup>st</sup> of January of the coming budget year. This period shall be used to prepare the basic documentation and to make the payment.

### **Article 53<sup>28</sup>**

#### **Expenditure Reimbursement**

If during the current budget year, the general government unit receives a reimbursement regarding a payment made in the same budget year or in the previous years, then the reimbursement is registered in the current budget year.

The payments paid and reimbursed during the current budget year, are corrected based on the budgetary structure used to allocate the respective registered reimbursement.

The funds released from the correction in the original budgetary structure, shall be used for other expenditure purposes, in accordance to the spending unit's objectives.

### **Article 54<sup>29</sup>**

#### **The execution of payments**

Financial commitments and obligations of the general government units shall be paid only through the treasury unified accounts, through the government financial information system, by persons authorized according to the criteria set in the law on financial management and control.

The authorizing officer of those general government units that are direct users of the government financial information system, approves the transactions registered by the executing officer of the unit, within five days from their registering date into the system.

If the receiver is a unit that operates into the treasury system, then the transaction is processed through the system's accounting procedure, with no movement of monetary funds that affect the unified treasury account.

Expenditure transactions that derive from legal commitments are processed together with the purchase orders, previously registered into the treasury system.

The right to execute payments on financial commitments, ascertained until December 31<sup>st</sup> of the previous year, expires at the end of January of the upcoming year, even if the financial commitment is presented to the treasury system in the upcoming year, in compliance to the deadlines set in the law 48/2014 "For delayed payments in contractual and trade transactions".

The payments paid during the budget year, despite the timing of financial commitment's ascertainment, are registered as payments for the same year.

The payments reversed on behalf of previous year's financial commitments, that are not going to be repaid, are registered as in-flows in the current year.

### **Article 55**

#### **Budget closure**

The annual budget is executed up to 31<sup>st</sup> December of the budget year.

---

<sup>28</sup> Amended by law no. 57/2016

<sup>29</sup> Amended by law no. 57/2016

## **Article 56**

### **Report for closing the accounts**

The principal authorizing officer submits to the minister of finance a report on closing the budget accounts within the last day of February.

## **CHAPTER VI BORROWING AND GUARANTEES IN THE PUBLIC SECTOR**

### **Article 57<sup>30</sup>**

#### **The authority to borrow**

The Minister of Finance, on behalf of the Council of Ministers or the Republic of Albania, is the only authority at central level which has the right to borrow on behalf of the Council of Ministers or the Republic of Albania, throughout financial instruments and bilateral or multilateral agreements, to finance the budget deficit, temporary lack of liquidity, state debt refinancing, to pay state guaranties, state debt emission cost, natural disaster cost, as well as financing projects in accordance with constitutional dispositions and other laws. It is the only authority with the right to give state guaranty for loans.

The Minister of Finance is the authority that negotiates and decides about core conditions of loan agreements, as well as undersigns these agreements on behalf of Republic of Albania or Council of Ministers.

The Minister of Finance is the authority that emissions borrowing instruments and has the right to choose the type of instruments, their characteristics and conditions.

The Minister of Finance is the authority that has the right to borrow from juridical and/or physical persons, within the limits set it out in the annual budget law.

The Council of the local government unit is the authority that has the right to borrow and give guaranties, both indoor and abroad, regarding local borrowings.

The long term local borrowing and guaranties shall be previously approved by the Minister of Finance, on regard to its procedures, limits and effects.

### **Article 58<sup>3132</sup>**

#### **The limits of public debt**

Public debt is composed of the central government debt, state guaranties for borrowings and local government debt. The annual budget law shall set out the limits for:

- a) the new central government debt, to be taken in the budget year
- b) total amount of central government debt
- c) new guaranties to be issued during the budget year, from the central government
- ç) total amount of guarantees of central government
- d) the debt emitted to cover the loss of central bank, from valuables re-evaluation.

Local government units borrow and issue guarantees when:

- a) The ratio of operational surplus of the previous year (calculated as the difference of the overall operative revenues from its own sources, shared taxes and unconditional

---

<sup>30</sup> Amended by law no. 57/2016

<sup>31</sup> Amended by law no. 114/2012

<sup>32</sup> Amended by law no. 57/2016

transfers with the unconditional operational expenditures of the local government unit) with the debt service cost, that is due to be paid annually for the long term debt, is not less than 1,4:1;

- b) The ratio of the debt stock to overall operational revenues from its own sources, shared taxes and unconditional transfers is not more than 1,3:1;
- c) The maximum annual limit of debt service to the average fiscal revenues (unconditional transfers, shared taxes, local taxes and tariffs) of local government unit's last three years, does not exceed 20 percent.

### **Article 59<sup>33</sup>**

#### **Management of debt data**

The Minister of Finance is responsible for identifying, recording and managing all central government borrowings and state guarantees in the public debt registry.

The Minister of Finance is responsible for identifying and registering of all local borrowings and local guarantees in the public debt registry.

The Minister of Finance approves the reporting format and deadline of the public debt data from the local government units.

### **Article 60**

#### **Debt service**

For the purpose of debt service, each interest and principal amount concerning public debts and its guarantees shall be made through the unified treasury account.

For the debt service needs, the necessary liquidities shall be planned to pay off the obligations in accordance with the contracted conditions and deadlines for such obligations.

## **CHAPTER VII**

### **ACCOUNTING OF THE BUDGET SYSTEM**

### **Article 61<sup>34</sup>**

#### **Accounting standards and procedures**

The Minister of Finance is responsible for building the obligatory accounting system, for all the general government units, in accordance with the adopted international standards.

The Ministry of Finance prepares the standards for the public accounting and reporting, in accordance with the accepted international standards, sub-legal acts and respective methodology in the area of public accounting, which are approved by the Board of Public Internal Financial Control (BPIFC).

Duties, composition, organization and functioning of BPIFC are set out in the law for financial management and control. BPIFC, during the review of public accounting issues, invites representatives from High state Audit in the role of observers, as the institution responsible for auditing the annual financial statements of general government units.

BPIFC, during the review of standards, sub-legal acts and methodology of public accounting, shall analyze the possibilities and conditions for their practical implementation.

---

<sup>33</sup> Amended by law no. 57/2016

<sup>34</sup> Amended by law no. 57/2016

The treasury system is responsible for registering the state's accounts, and for the preparation of periodical and annual reports on budget execution, as well as for the preparation of annual financial statements for general government.

The principal authorizing officer and authorizing officers of general government units, are accountable for accounting system's functioning and implementation, in accordance to this law and other acts issued by the Minister of Finance, for its implementation.

The methodology of expenditure and revenue recognition, for this law purposes, is related to:

- a) the recognition of budget year's expenditures, in the moment of their occurring, despite of their payment date;
- b) the recognition of revenues, in the moment of their collection.

## **Article 62**

### **Preparation of the annual budget accounts**

The minister of finance shall issue for all authorizing officers of central government units, local government units and special funds' units, instructions for closing the budget year and publication of financial statements.

The authorizing officers of general government units, at the end of the year, shall submit financial reports to the treasury system in accordance with the instructions of the principal authorizing officer, for the purposes of preparing the annual financial statements of the general government.

The authorizing officers of the general government units shall complete and confirm with the principal authorizing officer the annual budget statements within the 31<sup>st</sup> of March.

The minister of finance shall submit, within May, to the Council of Ministers for approval, the annual consolidated budget implementation report, with information on the achievement of objectives, status of internal financial management control and internal audit. A copy of the annual consolidated budget implementation report shall be sent to the High State Control, which audits the budget annual accounts.

## **Article 63<sup>35</sup>**

### **The approval of the annual consolidated budget implementation report**

Within the month of June of each year, the Council of Ministers approves and submits to the Assembly, the consolidated annual budget execution report, which includes:

the annual consolidated tables for the state's financial transactions;  
the report on the annual budget execution, against approved funds and achieved objectives;  
the report on the public debt and its composition;

ç) the report on the use of both reserve and contingency fund

the report on the situation of the public internal financial control, in general government units.

dh) any other financial statement required by the BPIFC

The annual consolidated budget execution report, approved by the CoM, is published by the Ministry of Finance within the month of June, of each budget year.

The High State Audit scrutinizes and certifies the annual consolidated tables for state's financial transactions and present to the Assembly a comprehensive report on previous fiscal year's budget execution.

The Minister of Finance, during the period of scrutiny by the Assembly of annual consolidated budget execution report, reports in details regarding the realization level of its

---

<sup>35</sup> Amended by law no. 57/2016

budget funds, and respective policy objectives approved in the annual budget law of the previous year.

The annual consolidated budget execution report, is approved by the Assembly within the month of October of each budget year, and is published in the Official Gazette.

#### **Article 64** **Archiving financial data**

Authorizing officer of general government units is responsible for saving and archiving the financial documents in line with the dispositions of the laws in force.

The minister of finance issues instructions to ensure implementation of dispositions of laws in force in regard of saving and archiving the financial data.

### **CHAPTER VIII** **MONITORING, AUDITING OF THE BUDGETARY SYSTEM AND INSPECTION**

#### **Article 65<sup>36</sup>** **Monitoring**

Authorizing officers of the central government shall submit to the principal authorizing officer, whenever required, but not less than three times per year, the reports on budget monitoring and execution, the financial performance, outputs and objectives for each program of the first year of the final document of the medium-term budget program. For local government units these reports are presented to the respective council.

The form, content and timing of monitoring reports are defined in the instruction of the Minister of Finance.

The Minister of Finance presents for information to the Council of Ministers a summary of monitoring and budget implementation reports, whenever required.

The head of the local government unit presents for information to the respective council, a copy of monitoring and budget implementation report for the local government unit.

The monitoring and budget implementation reports are published by the each authorizing officer in the respective official website of each general government unit, within a month after the end of the reporting period. Comments of the Ministry of Finance are published by the principal authorizing officer in official website of the Ministry of Finance.

The Minister of Finance, when is asked to, presents to the respective Assembly commission periodic reports, financial statements and annual report on budget implementation in the Republic of Albania. By commission's request, during the year and for other issues, he presented also reports related to the implementation of the budget and public internal financial control.

#### **Article 66<sup>37</sup>** **Public internal financial control**

---

<sup>36</sup> Amended by law no. 57/2016

<sup>37</sup> Amended by law no. 57/2016

The Minister of Finance is responsible for the overall coordination, harmonization and monitoring of the public internal financial control, for all general government units, which includes:

- a) the financial management and control system, which is regulated by a specific law;
- b) the decentralized function of the internal audit, as a functionally independent activity which reports directly to the head of the public unit. The internal audit of the public sector is regulated by a specific law;
- c) the harmonization unit in the Ministry of Finance, responsible for harmonizing and coordinating the implementation and functioning of the public internal financial control systems.

All general government units are responsible for building a sustainable system of financial management and control, as well as an independent internal audit function.

### **Article 67** **Financial management and control**

Financial and management control determines the managerial accountability for budget planning, execution and control, accounting and reporting in order to achieve objectives and to avoid waste, misuse, and misappropriation of property.

The financial management and control in the public sector is regulated by a special law.

### **Article 68** **Internal audit**

The internal audit as a tool of the authorizing officers of general government units, ensures in a reasonable way that public resources available to the general government unit:

- a. are spent, documented and reported based on a quick and reliable information,
- b. have fully contributed to achieving the policy goals and objectives,
- c. have been used in an economic, efficient and effective way,
- d. have not been stolen, misused or wasted.

All general government units and commercial companies where the state owns more than 50 percent of the capital which receive public funds, regardless of the form of organization, are subject to the internal audit.

The decentralized internal auditing unit of each general government unit reports directly to the authorizing officer, and is functionally and organizationally independent in carrying out its auditing function. This unit is not part of the operational structures.

The internal audit in the public sector is regulated by a special law.

### **Article 69<sup>38</sup>** **Financial inspection**

Each irregularity, heavy financial mismanagement, carry out of commitments beyond the limit of the budget funds, or making of payments in discordance with the laws and regulations into force, are sufficient elements to initiate a public financial inspection.

Principles, rules, procedures, duties and responsibilities of the units involved in the public financial inspection process, are regulated by a specific law.

### **Article 70**

---

<sup>38</sup> Amended by law no. 57/2016



## **External auditing**

General government units are subject, with no restriction, to external audit exercised by the High State Control.

### **CHAPTER IX VIOLATIONS AND PENALTIES**

#### **Article 71<sup>39</sup> Administrative violations**

Any violation of the provisions foreseen in this law, if not a criminal act, is considered an administrative violation and is penalized by fine as follows:

- a. when the authorizing officer and/or executing officer of a spending unit of the general government unit uses public money for purposes which are not approved, is penalized by the principal authorizing officer with a fine varying from 5-7 monthly salaries;
- b. when the authorizing officer of a spending unit of the general government unit makes commitments in absence of available funds in violation of article 50, s/he is penalized by the principal authorizing officer with a fine of 7 monthly salaries;
- c. when the authorizing officer and/or executing officer for a spending unit of the general government unit or a treasury officer allows to exceed the budget allocation in violation of article 42, or when executes payments which exceed funds committed in violation of article 54, is penalized by the principal authorizing officer with a fine varying from 3-7 monthly salaries.
- d. when the authorizing officer of a local government unit borrows or issues guaranties in violation of article 58 paragraph 2, s/he is penalized by the principal authorizing officer with a fine varying from 5-7 monthly salaries
- e. when the authorizing officer of the general government unit does not submit on time and according to the specification of articles 24 and 27, the medium term budget programme requests and additional requests, s/he is penalized by the principal authorizing officer with an administrative measure or a fine varying from 1-3 monthly salaries.
- f. when the executing officer does not comply with the cash budget in violation of article 49, last paragraph, s/he is penalized by the principal authorizing officer with an administrative measure or with a fine varying from 1-3 monthly salaries.
- g. when the authorizing officer and/or executing officer of general government units do not meet the obligations on closing the budget year and preparing the annual accounts in violation to article 62, they are penalized by the principal authorizing officer with administrative measure or fine varying from 1-3 monthly salaries.
- h. when the executing officer of the general government unit enters a new record into the accounting system in absence of the justifying legal documentation for the economic transactions and events, s/he is penalized by the principal

---

<sup>39</sup> Amended by law no. 57/2016

- authorizing officer with administrative measure or fine varying from 1-3 monthly salaries.
- i. In cases when the authorizing officer of the general government unit does not respect the deadlines set out in the Article 40 of this law, regarding the registering of budgetary commitments into the government's financial information system, he is charged with a penalty from the principal authorizing officer that varies from 1-3 monthly salaries.
  - j. In cases when, the executing officer of the general government unit does not respect the deadlines set out in the Article 52 of this law, regarding the justifying expenditure documentation for payments towards economic operators, he is charged with a penalty from the principal authorizing officer that varies from 3-7 monthly salaries.
  - k. In cases when, the authorizing officer of the general government unit does not respect the deadlines set out in the Article 54 of this law, regarding approval of transactions registered by the executing officer of the unit, he is charged with a penalty from the principal authorizing officer that varies from 3-7 monthly salaries.

## **Article 72**

### **Appealing the decisions**

Decisions of the Principal Authorizing Officer that impose penalties for a violation are appealed to the Minister of Finances within the deadlines established in the Administrative Procedures Code.

The Minister of Finance decision can be appealed to the court according to the Administrative Procedures Code.

## **CHAPTER X**

### **FINAL AND TRANSITORY DISPOSITIONS**

## **Article 73<sup>40</sup>**

### **The preparation of bylaws**

Council of Ministers, within 6 months from the entering in force of this law, shall approve the respective sub legal acts according to the Article 25/paragraph 2 of this law;

The Minister of Finance, within 3 months from the entering in force of this law, shall approve the respective sub legal acts according to the Article 25/paragraph 2; 26/paragraph 1; 32/paragraph 1; 65/paragraph 2, of this law.

The Minister of Finance and the minister responsible for local government issues, within 3 months from the entering in force of this law, shall approve the respective sub legal act according to the Article 32/paragraph 2.

## **Article 74**

### **Transitory provisions**

---

<sup>40</sup> Amended by law no. 57/2016

The heads of general government units, if they find it appropriate, may carry out the function of the principal authorizing officer or authorizing officer for a period no longer than 3 years after this law comes into force.

Internal audit units report to the heads of general government units for a period no longer than 3 years after this law comes into force or up to the date when principle authorizing officer or authorizing officers of general government units exercise their functions in compliance with articles 18 and 19 of this law.

The bylaws affected by this law will be implemented to the extend they comply with this law until they will be amended, but no later than 1 year after this law comes into force.

#### **Article 75**

#### **Abrogations**

Law no.8379, date 29.07.1998 “For drafting and implementation of the State Budget of the Republic of Albania” is abrogated.

#### **Article 76**

#### **Entering into force**

This law comes into force 15 days after the publication in the Official Gazette.