

**THE BUDGET SYSTEM MANAGEMENT, LAW**  
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*DISCLAIMER*

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Unofficial translation of the Law on "Management of the Budget System in the Republic of Albania" containing the initial law and amending law as follows:

Initial Law no. 9936, dated 26.06.2008

Amending Law No. **114/2012**, dated 07.12.2012<sup>1</sup>

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**No.9936, dated 26.6.2008**

**ON THE BUDGET SYSTEM MANAGEMENT IN THE REPUBLIC OF ALBANIA**

Pursuant to Articles 78, 83 point 1, 111 and 157 of the Constitution, on the proposal of the Council of Ministers,

**ASSEMBLY**  
**OF THE REPUBLIC OF ALBANIA**  
**DECIDED:**

**CHAPTER I**  
**GENERAL PRINCIPLES**

**Article 1**  
**Object of law**

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<sup>1</sup> This amending law was approved on 07.12.2012, published in the official journal nr. 162, page 8719.

This law regulates the budget system in the Republic of Albania, the structure, principles and fundamentals of the budget process, intergovernmental financial relations and responsibilities for implementing the budget legislation in general.

## **Article 2**

### **Scope of the law**

This law shall be applied by general government units at all stages of the budget process, which mean:

- a) The preparation, review and approval of the budget;
- b) The implementation, monitoring and review of the budget;
- c) Borrowing rights and restrictions, guarantees and other forms derived from them;
- ç) The control, accounting, reporting, inspection and audit of the budget.

## **Article 3**

### **Definitions**

In this law, the following terms shall have these meanings:

1. "Budget "is the whole of the income, expenditure and financing of the central and local government and special funds, approved by law by the Assembly of Albania, hereinafter "Assembly "or by decision of the council of the local government unit.
2. The 'Annual budget law" is the law that approves the income, expenditure and financing of the state budget, special central funds and transfers from the state budget to the local government units, for the budget year.
3. "Special fund "is a fund established by law, which has the tax or non-tax revenues as its sources, which are used to finance only functions or specific activities of the central or local government.
4. "General government" is the whole of central, local government units and special funds.
5. "Central government units "are units of the executive, legislative and judicial power, established by the Constitution, law or decision of the Council of Ministers, which have as their primary activity the fulfillment of the functions of the central government.
6. "Local government units "are units of different local levels, established by law, which have as their primary activity the fulfillment of local government functions, within a given territory.
7. "Special funds unit" is a unit established by law to perform specific functions of the central and local government.
8. "Spending unit" is the smallest organizational unit of general government units, for whom budget funds are detailed.
9. "Approved fund" is the maximum limit approved by the annual budget law or by decision of decision-making bodies of local government units, within which general government units have the right to make expenditure.
10. "Distribution fund "is the fund approved according to the budget classification and made available to the general government unit.
11. "Detailed fund" is the fund distributed according to the budget classification, detailed at the spending unit level of detail.
12. "Redistribution Fund "is a fund resulting from balanced increases and decreases of the previously detailed fund.

13. "Cash plan" is the forecast of revenues and expenditures of cash to general government units.
14. "Sum authorized for expenditure "is the periodic maximum limit of expenditure at the spending unit level.
15. "Reserve fund "is a fund created to finance non-permanent and contingent expenditures in the budget preparation stage.
16. "Contingency fund" is the unallocated fund, established to cover potential risks to revenues and expenditures during the budget implementation.
17. "Expense" is the reduction of net assets, which concludes with capital or current payments, irrevocable, with or without liability return.
18. "Income" is the increase in net assets, which ends with capital or current receipts, with or without liability return.
19. "Grant" is the income derived in the form of donation for a definite purpose or not, without any return condition and without interest, which is used to finance economic activities.
20. "Debt" is the sum of loans obtained in the banking, financial market and from third parties, natural persons, legal persons or individuals, on conditional return, with or without interest, to finance specific projects of investment, temporary lack of liquidity and fiscal budget deficit.
21. "Long-term local debt" is a debt in national or foreign currency of the local government unit, to be repaid over a period of time equal to or longer than one year.
22. "Contingent liability "is the obligation that may arise to general government units in relation to third parties in the future, as a result of potential risks associated with direct or indirect events or initiatives of previous years.
23. "Economical use" is the use of a given quantity and quality of inputs in a given time and with the lowest cost.
24. "Effectiveness" is the degree with which a product contributes to the achievement of policy objectives or goals of budgetary policy.
25. "Efficiency" is the link between the products of a program and financial and human resources used.
26. "Medium-term program budget" is the submission of budget spending plans for three years, through the direct link of programs to activities, products, targets and policy goals.
27. "Program Budget" is a set of activities of the general government unit, which are administered effectively and contribute together in the production of identifiable and measurable products, that help directly or indirectly in achieving the objectives and goals of budgetary policy thereof.
28. "The purpose of the program budget policy "is the desirable and measurable result that is achieved in the longer term by activities of the general government units.
29. "Policy objectives of the budget program " are specific outcomes precisely measured in time, amount and cost, which are realized in the short to medium term and which constitute intermediate steps towards achieving the policy goal of the program budget.
30. "Inputs" are financial, human and physical resources used for carrying out activities that are needed for the exercise of certain functions and finalized with the production of certain products.
31. "Program budgets activity" are the whole of activities carried out under a program for the realization of a product.

32. "Products" are goods and services obtained from the performance of budgetary activities of the program budget.

33. "The ceiling of the medium term program budget" is the upper limit of expenditure within which general government units prepare budget requests of this program.

**33.1 "The floor of the medium term program budget"**

34. "Financial Management" is a set of management responsibilities exercised by general government units for the adoption and implementation of rules and procedures that ensure efficient, effective and economical use of available public financial resources.

35. "Public internal financial control" is the whole of a management, financial system and other controls including administrative structure, methods, procedures and internal audit set up to achieve management objectives, under the principle of transparency, legality, economical use, efficiency and effectiveness.

36. "Internal Audit" is an independent activity within the general government unit, which ensures authorizing offices in a reasonable manner for the effective use of funds and the improvement of performance of functions of these units.

37. "Treasury System" is a set of rules and procedures, as well as the relevant organizational structure in charge of budget execution, cash management, accounting and financial reporting of the general government.

38. "Commitment budget" is the assumption of financial liabilities, in writing, by entering into a contractual relationship.

39. "Quasi-fiscal activities" mean activities of a fiscal nature carried out by public sector entities, not by general government units.

40. "Tax expense" is the measure of effects of tax exemptions or fiscal facilities, that are intended to encourage certain activities.

41. "First authorizing officer" is an employee of the highest level under the civil service law to the ministry responsible for finance, who is responsible for the preparation, implementation, internal financial control, monitoring, reporting, accounting and internal audit of the State Budget.

42. "Authorizing officer" is an employee of the highest level of general government units, responsible for the preparation, implementation, internal financial control, monitoring, reporting, accounting and internal audit of their budget, who is accountable to the first authorizing officer.

43. "Authorizing officer of second level" is an employee of the public administration in each of subordinate units of the general government unit, responsible for the preparation, implementation, internal financial control, monitoring, reporting, accounting and internal audit of their budget, who is accountable to the authorizing officer.

44. "Implementing employee" is an employee of the public administration in the general government unit responsible for the implementation of financial management rules, accounting and preparation of financial statements, who is accountable to the authorizing officer of the respective level.

**Comment [e1]:** At this point and with the law No.9877, dated 18.02.2008, "On the organization and functioning of the judicial power", as amended, the funding level of the judiciary shall be set at 0.8 - 1%. As this law shall be adopted by qualified majority, it gives a guarantee for not to be changed with the changing of the majority in Parliament.

#### **Article 4**

#### **Operating principles of the budgeting system**

Operating principles of the budgeting system are:

- a) Transparency, predictability, inclusiveness, unity and universality in the budgeting system management and special funds;
- b) Fiscal discipline, in line with macroeconomic stability and sustainable economic and social development;
- c) Allocation of resources in line with strategic objectives of the Council of Ministers;
- ç) Economical, efficient and effective use of public resources;
- d) Clear responsibility for operational management;
- h) Strictly adhering to the integrity of the process.

Transparency is the principle, which provides data that are easily available, fast, understandable and comparable at the international level for the Assembly, councils of local government units and the general public, whose integrity can be verified independently, in connection with:

- a) Functions, mode of organization, activities, roles and responsibilities of general government units;
- b) Products for policy goals and objectives;
- c) Budget preparation process;
- ç) Macroeconomic and fiscal forecasting;
- d) Financial statements.

## CHAPTER II BUDGET SYSTEM IN THE REPUBLIC OF ALBANIA

### **Article 5 State Budget**

State budget includes all revenue, expenditure and financing of the central government.

State budget includes a reserve fund and a contingency fund set aside, which is approved by the Assembly in the annual budget law, up to the extent of 3 percent of total funds approved.

The reserve fund is used only in cases of financing expenses, which are not recognized and are impossible to predict during the budget preparation process. Approval of its use shall be made by the Council of Ministers.

The contingency fund is used as defined in the annual budget law, to cope with effects of unrealized income, the need to carry out new financing and the increase of financing on approved funds to existing programs.

State budget cannot be passed from one year to another, except for cases specified in this law.

State budget is balanced in terms of receipts and payments.

All state budget income and expenses are in gross terms.

### **Article 5/a Financing of the justice system**

### **Article 6 The local budget**

**Comment [e2]:** Definition in this law obliges the executive (Ministry of Finance) to observe the level indicated in the budget preparation of each year. Establishment of a binding standard in the state budget will not only guarantee the daily functioning of the justice system, but also the progress required for the strengthening of human and infrastructure capacities in order to achieve financial independence.

The local budget includes all revenue, expenditure and financing of the local government unit.

The local budget includes a reserve fund and a contingency fund, set aside, which is approved by the council of the local government unit in the 6 decision of annual budget, up to the extent of 3 percent of the total value of approved funds, excluding conditional transfers.

The reserve fund is used only in cases of financing expenses, which are not recognized or are impossible to predict during the budget preparation process. It is used in accordance with the decision of the council of the local government unit.

The contingency fund is used as defined in the annual budget decision of the council of the local government unit, to cope with the effects of unrealized income, the need to carry out new financing and the increase of financing on approved funds of existing programs.

The local budget is balanced, except for cases when a loan is taken to finance investment projects. The local budget is balanced in terms of receipts and payments.

All income and expenses of the local budget are in gross terms.

#### **Article 7 Special funds**

The special fund of central or local government units is created by a special law, proposed by the Council of Ministers, on the initiative of the Minister responsible for finance, hereinafter referred to as the Minister of Finance. The council of the local government unit shall propose the special fund of the local government to the Minister of Finance.

The law establishing the special fund of the central or local government sets:

- a) The purpose of establishing a special fund;
- b) The administrative unit of the special fund, which can be a central or local government unit, independent or controlled by another unit;
- c) The special fund mode of financing and balancing;
- ç) Method of consolidation in central or local government accounts;
- d) Timing and manner of the closure of special funds

Special fund includes all income and expenses of a special fund unit.

Procedures for the proposal and approval of the special fund budget of central or local government are similar to State Budget.

Special funds of central government units shall be submitted to the Assembly together with the State Budget.

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

No extra-budgetary funds are established, if they are not special funds.

#### **Article 8 General government cash management**

The general government receipts and payments are conducted through the unified treasury account, held in domestic and foreign currencies. The unified treasury account is held at the Bank of Albania.

Minister of Finance, if required, can hold a limited number of accounts at the Bank of Albania for special funds, for financing of projects or for purposes of efficient cash management.

The Minister of Finance is authorized to sign agreements with the Bank of Albania and commercial banks for carrying out banking transactions and cash management of the general government.

Excess cash, temporarily free, of general government accounts in the Bank of Albania shall be invested according to procedures established by the instruction of the Minister of Finance.

Local government units are entitled to earn interest on their monetary assets, temporarily free, in the unified treasury account. Conditions and benefits of interest rates are determined by instruction of the Minister of Finance.

#### **Article 9 Receipts**

Receipts include, but are not limited to:

- a) Receipts related to mutual transactions:
  - i) Revenue from the sale of goods and services;
  - ii) Revenue from the sale of long-term assets;
- b) Receipts related to non-reciprocal transactions:
  - i) Revenue from taxes, duties and tariffs;
  - ii) Revenue from assets owned;
  - iii) Revenue from grants;
  - iv) Revenue from compulsory contributions;
- c) Receipts related to financial transactions:
  - i) Revenue from interest;
  - ii) Receipts from loans;
  - iii) Other revenues from the execution of administrative and criminal sanctions;
  - ç) Custody receipts, warrants and other devices in custody.

#### **Article 10 Payments**

Payments include, but are not limited to:

- a) Payments related to mutual transactions:
  - i) Expenditure for purchase of goods and services;
  - ii) Expenditure for the purchase or creation of long-term assets;
  - iii) Payments for borrowing;
- b) Payments related to non-reciprocal transactions:
  - i) Government transfers;
  - ii) Grants, contributions and donations;
  - iii) Expenses on rent;
- c) Financial payment:
  - i) Interest expense;
  - ii) Finance lease expenses;
  - iii) Payment of the principal of a loan;
  - vi) Custodial fees.

vii) Expenses for judicial services

**Comment [e3]:** The interpretation of Article 10 in its current form shows that forecasted payments are not exhaustive, but nonetheless, the expressed forecast of payments for judicial services comes in line with the spirit of the justice system reform in the financial sphere.

**Article 11**  
**Budget classifications**

Budget classifications are approved by the Minister of Finance on a proposal of the first authorizing officer in accordance with international standards.

Budget classifications include, at a minimum:

- a) Administrative classification, representing the classification of general government units up to spending unit level;
- b) Economic classification, representing the classification of transactions by economic nature;
- c) Functional classification, representing a detailed classification in accordance with economic and social functions or objectives that general government units aim to meet / reach;
- ç) Classification by program, representing programs, subprograms and projects in accordance with objectives of general government units;
- d) Classification according to financing resources.

Classification of local budget and special funds is consistent with the classification of the State Budget.

Codes and designations of budget classifications and accounts are unique for all general government units.

**Article 12**  
**Budget deficit and budget surplus**

The budget deficit in a budget year is the difference between revenues and spending, when the spending is higher than revenues.

The budget surplus in a budget year is the difference between revenues and expenses, when revenues are greater than expenses.

The annual budget law stipulates the use of a budget surplus or ways of financing a budget deficit. The State budget deficit is financed by domestic or foreign loans and, as a rule, its amount may not exceed the amount of capital expenditures contemplated in the annual budget law.

The local budget is balanced. Exceptionally, the local budget may have a deficit only for capital expenditures financed with loans according to provisions stipulated in this law or a special law.

Special funds are always balanced and can have no budget deficit.

**Article 13**  
**Budget year**

The budget year for all general government units shall start from January 1 and end on December 31st of each year.

CHAPTER III



## BODIES ROLE AND RESPONSIBILITIES IN THE BUDGET PROCESS

### **Article 14 Assembly powers**

The Assembly, by a special law, approves the income and annual budget funds for central government units, unconditional transfers to local government units and special funds in order to make expenditures for performing their functions, as well as financing sources of the budget deficit.

### **Article 15 Powers of the council of the local government unit**

Council of the local government unit, by a special decision, approves the income and annual budget funds for the local government unit and special funds thereof, in order to make expenditures to perform their functions, as well as the borrowing to finance investment projects.

### **Article 16 Powers of the Council of Ministers**

The Council of Ministers approves main directions of the general state policy and, based on them, proposes the annual budget law to the Assembly.

The Minister of Finance is the authority responsible for drafting and adoption of a system of rules, standards and procedures that ensure economic, efficient and effective administration of public financial resources.

### **Article 17 Powers of the head of the local government unit**

The head of the local government unit proposes main policy directions of the local government unit and the draft budget to the relevant council of the local government unit.

### **Article 18 First authorizing officer**

The Secretary General of the ministry responsible for finances is the first authorizing officer for the budget of central government units, central government special funds and transfers to local government units.

The first authorizing officer is accountable to the Minister of Finance for the budget management system and public internal financial control, according to this law, the annual budget law and sub legal acts.

The first authorizing officer shall submit periodic reports, financial statements and the annual report on the budget implementation in the Republic of Albania to the relevant parliamentary committee. At the request of the committee, the first authorizing officer shall also report during the year for other issues related to the implementation of the budget and public internal financial control.

## **Article 19**

### **Authorizing officer**

The authorizing officer in central government units is the highest-level civil service employee of the public administration. For the Ministry responsible for finances, the first authorizing officer shall appoint a high or middle-level employee of the public administration as an authorizing officer. In general government units that are not part of the executive power, the authorizing officer is an employee of the senior management level. The authorizing officer in local government units is the head of the unit or his deputy, if the head of the unit decides to delegate this responsibility. The head of the general government unit shall notify the first authorizing officer about the authorizing officer of his unit.

The authorizing officer of the spending unit is the head of this unit.

The authorizing officer is responsible for financial management of the general government unit, where he is appointed to, in accordance with the principles set out in Article 4 of this law.

Financial management responsibilities include, but are not limited to:

- a) The preparation, implementation, internal financial control, monitoring, accounting, reporting and internal auditing of the budget of the general government unit;
- b) Ensuring efficient, effective and economical use of public resources;

The authorizing officer shall act in accordance with provisions of this law and sub legal acts thereof.

The authorizing officer of general government units shall guide and inform budget implementation officers of subordinated spending units and shall guarantee the implementation of instructions given to the budget implementation officer of spending units under jurisdiction.

The authorizing officer of central government units and special funds units of the central government shall report and be accountable to the first authorizing officer for the preparation, implementation, internal financial control, monitoring, reporting, accounting and internal audit of their budget.

The authorizing officer of the central government unit, upon the approval of the head of the office shall appoint public administration employees as authorizing officers of second-level in each of the units subordinated to the central government unit.

The authorizing officer of local government units shall be accountable and report to the first authorizing officer for the preparation, implementation, public internal financial control, monitoring, reporting and accounting of the budget of the respective local government unit in performing functions of local government units shared and delegated by a central government unit.

The authorizing officer of the local government unit and special funds of local government shall be accountable and report to the finance committee and the council of local government unit for the preparation, implementation, public internal financial control, monitoring, reporting, accounting and internal audit of the budget or special funds for all functions of local government units and special funds.

The authorizing officer of local government unit may appoint a public administration employee as an authorizing officer of second-level in local government units.

**Article 20**  
**Budget implementation officer**

Budget implementation officer is a high-level civil service employee of the public administration of the general government unit. The budget implementation officer shall be appointed by the authorizing officer for the implementation of rules of financial management, accounting and preparation of financial statements.

**Article 21**  
**Documentation and reporting of orders contrary to provisions**

Oral or written order of the head of a general government unit that regulates the operational management, or of the person authorized by him, issued contrary to financial management provisions, addressed to authorizing officers or budget implementation officers shall be challenged in writing by the latter to the issuers of the order or heads of units in accordance with their subordination.

Challenging shall be in the form of a written report, which includes:

- a) Explanations on the legal basis for challenging the order;
- b) A request for its cancellation or confirmation.

In cases where the order is not canceled, but it is confirmed in writing, the authorizing officer shall proceed with the implementation of the order and shall send a copy of the objection report to the first authorizing officer, who shall inform the Minister of Finance. Upon a written confirmation of the order, in the case of communications between the Minister of Finance and the first authorizing officer, a copy of the report shall be sent to the High State Audit.

The rules described in the first and the second paragraph of this Article shall also apply to relationships between different levels of authorizing officers and budget implementation officers.

CHAPTER IV  
PREPARATION, REVIEW AND APPROVAL OF THE STATE BUDGET

**Article 22**  
**Preparation of the public expenditure management calendar**

The Minister of Finance shall prepare and propose to the Council of Ministers the public expenditure management calendar, specifying in details management process terms of public expenditures.

The public expenditure management calendar shall be approved by the Council of Ministers as an integral part of the strategic planning calendar and shall become effective on the first day of each year.

**Article 23**  
**Macroeconomic and budget estimates and forecasts**

The Minister of Finance, within January, shall present a report on macroeconomic estimates and forecasts for consideration and approval to the Council of Ministers for:

- a) The 2 years preceding the budget year;

- b) The budget year;
- c) The next 3 budget years.

This report includes:

- a) Assumptions and methods used for macroeconomic and fiscal estimates and forecasts, including the identification and assessment of the risk of sustainability of macroeconomic stability;
- b) The most recent estimates of the economic situation, according to official data, as well as comparisons with previous forecasts;
- c) The forecast of incomes for the general government on the basis of existing policies and new policy proposals or changes to existing ones;
- ç) The forecast of general government expenditures based on existing policies and proposals for new policies or changes to existing policies;
- d) The forecast of the general government deficit and its financing, respecting and guaranteeing fiscal discipline and sustainability;
- dh) Proposals for preparatory expenditure ceilings for the next three budget years, explaining amendments to limits set in the previous medium-term budgetary program;
- e) Detailed information on the stock of debt, internal and external, for each of general government sectors.

Macroeconomic estimates and forecasts shall be approved by decision of the Council of Ministers and shall be submitted to the Assembly within 10 March. At the request of the parliamentary committee responsible for public finances, the Minister of Finance may give explanations before this committee about estimates and forecasts approved by the Council of Ministers.

#### **Article 24** **Budget preparation guidelines**

The Minister of Finance, after the approval of macroeconomic and budget estimates and forecasts by the Council of Ministers, within the month of February, shall approve and send the budget preparation guideline for implementation to general government units.

The guideline includes:

- a) Preparatory expenditure ceilings of the medium-term budget program;
- b) Unconditional transfers to local government units;
- c) Procedures and deadlines for preparation of the medium-term budget program and the annual draft budget;
- ç) Rules for sharing or delegating functions between central government units and local government units;
- d) Methods for calculating unconditional and conditional transfers for local government units.

Authorizing officers of general government units shall prepare and submit requests for the medium-term budget program and additional requirements in accordance with requirements and deadlines set forth in the respective guideline of the Minister of Finance.

#### **Article 25** **The draft document of the medium-term budget program**

The unit responsible for the budget in the ministry responsible for finances, under the direction of the first authorizing officer shall analyze and estimate medium-term budget requirements and additional requests, and shall prepare a report with conclusions and recommendations for each of the central government unit. This report shall be presented at hearing sessions organized in the ministry responsible for finances, with each of the central government unit, according to a predetermined schedule. Upon the reflection of hearing sessions' conclusions, the first authorizing officer shall submit the draft document of the medium-term budget program to the Minister of Finance.

The Minister of Finance shall review the draft document of the medium-term budget program and after consultations with the first authorizing officer shall approve the draft document that will be submitted for approval.

The Minister of Finance, within June of each year, shall submit the draft document of the medium-term budget program to the Council of Ministers, together with the proposal on expenditure ceilings of this program, comments for acceptance of expenditure requirements of the medium-term budget program and additional requests. The Council of Ministers shall approve the draft document of the medium-term budget program and final expenditure ceilings. The Minister of Finance, within July of each year, shall send for information to the Assembly a copy of the document of medium-term budget program approved by the Council of Ministers and, at the request of the parliamentary committee responsible for public finances, shall give explanations to the committee on the act approved.

#### **Article 26** **Medium-term budget program**

The draft of the medium-term budget program shall reflect the medium-term budget requirements of general government units, which are presented in accordance with requirements and within the time prescribed in the relevant guideline of the Minister of Finance.

The medium-term budget program is accompanied by an annex, which contains:

- a) The method of calculation and the amount of unconditional transfers to local government units;
- b) The amount and purpose of the conditional transfer that the State budget gives to local government units;
- c) National taxes, shared with the local government and the divided portion for the next 3 budget years.

The medium-term budget program may also contain the reserve fund of the State budget, to meet the needs for unforeseen expenses.

#### **Article 27** **Additional guidance for budget preparation**

After the adoption of final expenditure ceilings of the medium-term budget program by the Council of Ministers, the Minister of Finance shall issue an additional guidance for preparing the budget, within 10 July, for authorizing officers of general government units. The additional guidance for the preparation of the budget includes:

a) Final expenditure ceilings of the medium-term budget program approved by decision of the Council of Ministers;

b) Rules for the review of expenditure requirements of the medium-term budget program, based on final expenditure ceilings;

Within 1 September of each year, authorizing officers of central government units and special funds units of the central government shall represent revised requirements of the medium-term budget program and additional requirements with respective arguments to the first authorizing officer;

Authorizing officers of local government units and their special funds units shall present the draft budget for the next budget year to their respective council, within the time defined in the additional guidance;

The unit responsible for the budget in the ministry responsible for finances, under the direction of the first authorizing officer shall analyze and evaluate revised requirements of the medium-term budget and additional requests and shall prepare a report with conclusions and recommendations for each central government unit. This report shall be presented at the hearing sessions organized at the ministry responsible for finances with each government unit, according to a predetermined schedule. Upon the reflection of hearing sessions' conclusions, the first authorizing officer shall submit the draft document of the medium-term budget program, revised, to the Minister of Finance.

#### **Article 28**

##### **The revised medium-term budget program**

The Minister of Finance shall approve the draft document of the medium-term budget program, revised, only when this program requirements shall be in line with the additional guidance for the preparation of the budget. The approved project shall be presented to the Council of Ministers, along with the draft annual budget law.

The Minister of Finance shall send, for information to the Assembly, a copy of the medium-term budget program adopted by the Council of Ministers.

#### **Article 29**

##### **Draft annual budget**

The first authorizing officer shall prepare the draft annual budget, as a component part of 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 medium-term budget program, revised, as stipulated in Article 28 of this law.

The draft annual budget, for each central government unit, shall include:

a) The mission or purpose of the central government unit;

b) The description of programs and activities of this unit;

c) The presentation of policies, goals and objectives of the program policy;

ç) Policy standards to be achieved by every unit and for each program;

d) Information on the contribution of products of each program in achieving the respective program goals and objectives;

dh) Actual indicators for the previous two budget years, budget funds planned for the current budget year, changes made by reallocations, requests approved for additional funding, as

well as the distribution of the total value of ceilings of the medium-term budget program according to the program for the next three budget years;

- e) Capital expenditures, the list of investment projects for each program:
  - i) The total project cost;
  - ii) The value financed by the end of the previous budget year;
  - iii) The value estimated to be financed in the current budget year;
  - iv) The value remaining to be financed in the coming budget years, financing sources;
- ë) An explanation of the purpose and costs of quasi-fiscal activities undertaken by non-general government units; a presentation of tax expenditures.

The Council of Ministers, within 25 October, shall approve by decision, the draft annual budget and the medium-term budget program, as revised.

The first authorizing officer, within 10 days after the adoption by the Council of Ministers of the annual budget and medium-term budget program, as revised, shall notify each local government unit and each special funds unit of the local government for transfers from central government units and the portion and amount of the national tax, divided in the draft budget.

The Prime Minister, within 1 November, on behalf of the Council of Ministers, shall submit the draft annual budget to the Assembly.

The Minister of Finance shall present to the Assembly the information about:

- a) The list of spending units according to general government units they are subordinated to;
- b) The observance and correct application of principles laid down in Article 4 of this law, in the draft annual budget and the medium-term budget program;
- c) The harmonization of conditions and forecasts of the debt with fiscal sustainability objectives;
- ç) Fiscal risks and protection measures against them;
- d) Contingent liabilities of the general government and the possibility of their occurrence as liabilities in the next budget year.

### **Article 30** **Approval of the draft annual budget law**

The draft annual budget law shall be approved by the Assembly by 31 December, at the budget program level for each general government unit. The Council of Ministers may propose the adoption of the annual State Budget by the Assembly in a more detailed level than the budget program, in accordance with principles set out in Article 4 of this law.

### **Article 31** **Publication of the annual budget and the medium-term budget program**

The annual State budget law, with all its component parts, shall be published in the Official Journal.

The first authorizing officer, in the month of January of each year, after the adoption of the annual budget law by the Assembly, shall reflect the changes in the final document of the medium-term budget program.

The Minister of Finance, within the month of February, shall publish the final document of the medium-term budget program.

**Article 32**  
**Preparation and approval of local budgets**

Heads of local government units of all levels, within the month of November of the budget year, shall present budgets of their councils for approval.

The local government council, by 31 December, shall approve the local budget based on income estimate and unconditional transfers, specified in the annual budget law.

**Article 33**  
**Publication of local budgets**

Budgets of local government units shall be published in the relevant Bulletin of Public Notices 15 days after approval by the councils of concerned units.

**Article 34**  
**Entry into force and implementation of the annual budget law**

If the Assembly should adopt the annual budget law within the budget year, but the law cannot enter into force on 1 January, or the time remaining to complete procedures for the beginning of the budget implementation is not sufficient, the Minister of Finance will issue a special guidance that will regulate the budget process until the entry into force of the annual budget law and the completion of procedures for its implementation.

The special guidance shall ensure the continuation of providing goods and services, including the implementation of investment projects, initiated in the previous budget year, which is projected to continue even in the budget year.

**Article 35**  
**Provisional budget**

If the Assembly should not approve the proposed budget by the beginning of the budget year, the Council of Ministers by decision, before the first day of the beginning of the budget year, will authorize the implementation of the provisional budget for a period commencing from the first day of the budget year to the end of its third month.

Budget expenditures in the provisional budget for each month and for each program of each general government unit cannot exceed 1/12 of the actual cost of the program financed by the budget in the previous budget year.

If the proceeds obtained by law should be insufficient to cover expenses provided for in the provisional budget, the Minister of Finance will borrow, every month, up to 1/12 of the total loan used to finance the budget deficit in the previous budget year.

Funds approved in the provisional budget shall ensure:

- a) The performance of functions and responsibilities of general government units in compliance with the law;
- b) The continuity of delivery of goods and services, including the implementation of investment projects, initiated in the State Budget of the previous budget year projected to be continued in the budget year.



**Article 36**  
**Budget following the provisional budget period**

The Prime Minister, during the provisional budget period, shall submit the budget to the Assembly with an accelerated procedure for its approval till the last day of the provisional budget period.

In case of disapproval of the draft budget within the provisional budget period, the Council of Ministers, by decision, shall authorize the performance of budget expenditures for each program of every general government unit to the extent not exceeding 1/12 of the actual expenses of the program financed by the budget in the previous budget year and for each month until the approval of the draft budget by the Assembly.

The second, third and fourth paragraph of Article 35 of this law can also be applied in the period following the provisional budget.

**Article 37**  
**Local provisional budgets**

In case of disapproval of the local budget by the council of the local government unit until the first day of the budget year, the head of the local government unit shall authorize the performance of expenditures for each month up to 1/12 of the actual local budget expenditures in the previous budget year to ensure the continuity of delivering goods and services, including the implementation of investment projects initiated in the previous budget year that are continuing in the budget year.

CHAPTER V  
BUDGET IMPLEMENTATION

**Article 38**  
**Guidelines for budget implementation**

The Minister of Finance shall issue the guidance for implementation of the budget, which sets out rules, procedures and deadlines to be met by authorizing and implementing employees at all levels in the process of budget implementation. This guidance is in the form of a permanent instruction or it shall be prepared and approved for each budget year. In cases where the guidance is permanent, a supplementary instruction shall be approved for each budget year, which shall define rules, procedures and specific or undefined terms in the permanent guidance for the implementation of the State Budget. The guidance that shall be prepared for each budget year, should be adopted and enter into force before the beginning of the budget year and, in case of delayed approval of the annual budget law, no later than 10 days after the entry into force of the annual budget law.

**Article 39**  
**Collection and preservation of public cash**

Revenues approved in the annual budget law shall represent the minimum threshold to be collected during the budget year.

General government units, tasked with collecting them, shall be responsible for collecting these revenues in time.

All cash, collected by general government units, immediately upon their receipt, shall be deposited in the treasury account, in accordance with rules and procedures laid down in Article 8 of this law. The same rules and procedures are mandatory for all revenues received during the fiscal year, although they may not be provided and approved in the annual budget law or the budget approval decision of the council of the local government unit.

The Council of Ministers, upon the proposal of the Minister of Finance, shall regulate relations and procedures between the ministry responsible for finances and general government units, for the signing, disbursement and reporting of grants.

Revenues collected in the treasury accounts shall be recorded and reported as income of the budget year during which they were collected.

Local budget revenues, collected in treasury accounts from local taxes, national taxes, and unconditional transfers from the State budget, unused during the budget year, shall be inherited in the next budget year.

#### **Article 40**

##### **The right to make expenditures**

Funds approved for central government units in the annual budget law constitute the maximum expenditure limit within which the Council of Ministers is authorized to undertake commitments and incur expenses. The Council of Ministers exercises this authority represented by the Minister of Finance.

Funds approved in the budget decision of the local government unit constitute the maximum expenditure limit within which the head of the local government unit is authorized to undertake commitments and incur expenses.

As a rule, the right to make expenditures, within the limit of funds approved, shall expire on the last day of the budget year, regardless whether the annual or multi-annual contracts could continue in the next budget year. For multi-year contracts, the right to make expenditures may be extended beyond the budget year, but not more than three years after the end of the budget year. Contracts and terms of extending the right to make expenditures are determined by a special provision in the annual budget law for the next budget year.

Expenses incurred in the budget year, for the account of funds approved in the previous budget year shall be recorded and reported separately from those incurred on behalf of funds approved in the budget year.

#### **Article 41**

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

The Minister of Finance, within five days from the enactment of the annual budget law by the President, shall inform in writing the first authorizing officer for the budget approved by the Assembly for each general government unit.

The first authorizing officer, immediately after the notification in writing by the Minister of Finance, shall inform in writing authorizing officers to each general government unit for funds

approved by the Assembly in the annual budget law, as well as for revenues forecasted for each general government unit tasked with revenue collection.

**Article 42**  
**Allocation of budget funds**

The first authorizing officer shall propose the Minister of Finance that the distribution of budget funds to general government units for programs and expenditure items, to be less than total funds approved by the Assembly for those units and for periods of less than 1 year.

Distribution of budget funds shall be based on forecasts of cash inflows and commitments which need to ensure an efficient use of financial resources and to maintain macroeconomic and fiscal stability.

The first authorizing officer, after approval by the Minister of Finance, shall inform in writing authorizing officers of each central government unit on the allocation of budgetary funds according to the budget classification within 10 days from the enactment of the annual budget law by the President.

At the same time, the first authorizing officer shall inform local government units in writing on the allocation of funds for unconditional transfers.

The authority of the Minister of Finance for allocation of budgetary funds and special funds from the funds approved by the Assembly shall expire at the end of the budget year.

**Article 43**  
**The breakdown of budget funds**

The authorizing officer shall breakdown the funds for general government spending units in line with budget allocations approved by the Minister of Finance and priorities of general government units.

Authorizing officers of central government units shall submit a proposal to the first authorizing officer for the breakdown of budgetary funds allocated to each spending unit in accordance with the guidance on the implementation of the budget.

The first authorizing officer shall approve the elaboration of budgetary funds allocated to each spending unit and shall be responsible for this to be reflected in time in the treasury system.

After the approval of the breakdown of budgetary funds allocated to each spending unit, authorizing officers of general government units shall make commitments and payments within set limits and deadlines.

**Article 44**  
**Reallocation of budget funds**

Rights and limits on the redistribution of funds distributed and detailed earlier, when the budget is approved by the Assembly at the program level, under Article 30 of this Law are as follows:

For central government units:

- a) Reallocation of funds between programs of the same central government unit and various units of the central government, shall be approved by the Council of Ministers and shall not exceed 10 per cent of the total of the program approved.
- b) Reallocation of investment projects funds within the same program of the central government unit shall be approved by the Minister of Finance;
- c) Reallocations between current expenditure items within the same program shall be approved by the first authorizing officer;
- ç) Reallocations within the same program and the same item of recurrent expenditures, between different spending units shall be approved by the authorizing officer of the central government unit that the spending unit is subordinated to.

For local government units, when the budget is approved at the program level:

- a) Reallocations between programs shall be approved by the council of the local government unit;
- b) Reallocations of investment projects, within the same program, shall be approved by the head of the local government unit;
- c) Reallocations between current expenditure items, within the same program, shall be approved by the head of the local government unit;
- ç) Reallocations within the same program and the recurrent expenditure item, between various spending units shall be approved by the authorizing officer of the local government unit that the spending unit is subordinated to.

Authorizing officers, seeking to perform reallocations, according to the first paragraph of this article, letters "a", "b" and "c", shall submit the first authorizing officer, in writing:

- a) Reasons of reallocation;
- b) Amount of reallocation;
- c) Changes in the reallocation of funds, as required by the reallocation of budget funds.

For reallocations made pursuant to the first paragraph of this article, letter "ç", authorizing officers of central government units shall notify the first authorizing officer at the end of the month during which the reallocation decision was taken.

Authorizing officers, seeking to perform reallocations, under the second paragraph of this article, letters "a", "b" and "c", shall notify the council of the local government unit, in writing, about:

- a) Reasons of reallocation;
- b) Amount of reallocation;
- c) Changes in the reallocation of funds, as required by the reallocation of budget funds.

The first authorizing officer shall ensure that reallocations approved in accordance with the first paragraph of this article be reflected in the treasury system.

Authorizing officers of local government units, after approval by the council of the local government unit, shall officially notify the treasury system about the reallocation, which shall reflect it in the system in time.

In case of approval of the budget by the Assembly on a more detailed level than that of the program, under Article 30 of this law, rights and limits of the reallocation of funds, distributed and detailed, shall be determined in the annual budget law.

#### **Article 45** **Requests for additional funding**

Authorizing officers of central government units shall submit requests for additional funds to the first authorizing officer to cover contingency expenses at the time of budget preparation and which cannot be postponed for the next budget year.

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

The request for additional funding shall be associated with the justification of the application, explaining:

- a) Reasons of failing to plan at the time of budget preparation;
- b) Products to be obtained from the activities that will be financed by additional requests;
- c) Contribution to the policy goals and objectives;
- ç) Other items of approved budget funds, which can be reduced to provide the necessary funds and consequences that such a reduction would have on the achievement of other objectives.

The first authorizing officer shall review requests of central government units for additional funds and shall recommend the justified acceptance or rejection of requests for additional funding to the Minister of Finance.

If the request for additional funds is met by respecting rights and limits specified in the first paragraph of Article 44 of this law, then the proposal and their approval shall be made in compliance with provisions as defined in this Article.

If the request for additional funds cannot be met while respecting the rights and limits laid down in Article 44 of this Law, the Minister of Finance may propose the Council of Ministers to supplement it through the use of the reserve fund from the State budget. The Minister of Finance periodically shall inform the Assembly in writing about requests for additional funds approved by the Council of Ministers, through the use of the reserve fund of the State budget and, according to the request made by the chairperson of the parliamentary committee responsible for public finances, shall answer questions from the committee on this issue.

Authorizing officers of local government units shall consider spending units' requests for additional funds and shall give their recommendations to the council of the respective unit for rejection or acceptance of the application.

If the request for additional funds is met by respecting the rights and limits specified in the second paragraph of Article 44 of this law, then the proposal and their approval shall be made in compliance with provisions as defined in this Article.

If the request for additional funds cannot be met while respecting rights and limits laid down in Article 44 of this law, then the head of the local government unit may propose the concerned council to supplement it by using the reserve fund of the local government unit.

#### **Article 46**

#### **Review of budget implementation**

The Minister of Finance, each year in the month of June, but no later than the day of the presentation of the medium-term budget program in the Council of Ministers, shall submit an analysis for the implementation of the current year budget to the Council of Ministers. This analysis shall contain:

- a) An overview of the macroeconomic situation and forecasts;
- b) Comparison of approved budget indicators with the factual ones and the explanation on discrepancies;

c) Proposals to undertake actions within the competences of the Council of Ministers established by this law, if necessary;

ç) The proposal to amend the annual budget law accomplished with an explanation, why the requested changes couldn't be foreseen at the proposed budget, if necessary.

If the Council of Ministers will decide to change the annual budget law, its amendment procedure is the same as procedures laid down in Article 29 of this Law on the approval of the proposed State budget.

If the approval of amendments will not take place within July, the proposal to amend the annual budget law shall be voted through an accelerated procedure.

#### **Article 47**

##### **Review of local budget implementation**

The head of the local government unit shall make a comprehensive analysis of the budget implementation within June of each year and, if necessary, shall make relevant proposals to amend the decision of the council of the local government unit, which has approved the annual budget. The procedure for reviewing, approving and implementing amendments to the decision of the council of the local government unit is the same with that of the decision for annual budget approval.

#### **Article 48**

##### **The deadline for budget funds reallocation**

The right of general government units to reallocate funds approved for the budget year shall be exercised till 15 November of each year.

#### **Article 49**

##### **The budget cash flow plan**

Any general government unit shall prepare the cash flow plan, based on funds approved for the budget year.

The first draft of the cash flow plan shall be filed in the ministry responsible for finances, together with the draft annual budget and it shall include:

- a) Cash inflows anticipated to be collected and other receivables;
- b) Procurement plan and other planned engagements;
- c) Anticipated payments arising from commitments.

Following the draft budget adoption by the Council of Ministers, central government units shall review the cash flow plan, divided into months, or other periods of time as specified in the guidance for budget implementation. The revised plan shall be filed for review and approval to the first authorizing officer, within 10 days after the issuance of the decision of the Council of Ministers for the draft budget approval.

The first authorizing officer shall approve central government units' cash flow plans and unconditional transfers to local government units immediately after the enactment of the annual budget law by the President.

This approval is made based on an examination being made on cash flow plans, as revised and, it must comply with:

- a) Annual limit of funds approved;
- b) Government policies;
- c) Best financial practices;
- ç) Effects on liquidity management.

The first authorizing officer is responsible for timely reflection of cash flow plans on the treasury system, approved for general government units.

The treasury system shall control engagements, expenses incurred and surplus liquidity of the general government against allocated budget funds and the cash flow plan and it shall plan to issue short-term or long term debt, to ensure sufficient liquidity to liquidate financial liabilities of the general government.

The first authorizing officer, with or without the proposal of authorizing officers of general government units, shall review the cash flow plan during the budget year, based on continuous monitoring of the implementation of the cash flow plan and liquidity management policies.

The authorizing officer is responsible for observing the approved cash flow plan and for justifying any review or failure of implementation thereof, according to criteria established in the budget implementation guideline.

#### **Article 50** **Budgetary commitments**

The Minister of Finance shall approve guidelines for authorizing officers on commitments' registration procedures.

Authorizing officers of general government units shall keep records on financial commitments and shall not allow the undertaking of new commitments beyond the limit of budget funds allocated.

The first authorizing officer, for expenses covered by loans in the annual State budget law and in the decision of the council of the local government unit, through the treasury system, shall not allow the undertaking of commitments and payments until the transfer of borrowed funds to the treasury account from the lender.

Exceptionally, the first authorizing officer shall allow assuming commitments or payments against expected loan disbursements signed only in cases when the failure or delay thereof would bring serious consequences for achieving general government goals. In this case, the assumption of commitments or payments shall be made in accordance with the cash flow situation in the treasury accounts and within limits approved in the annual budget deficit.

#### **Article 51** **Commitments management**

Monetary funds, generated on the basis of current year commitments and not paid at the end of the budget year, shall be carried forward to the next budget year, according to the period specified in the annual budget law, unless the commitment is canceled or has become inactive, according to criteria set out in the budget implementation guideline.

Monetary funds, related to previous years' commitments that are canceled during the budget year, shall be returned to the treasury single account for their inclusion in the following year's budget.

Commitments canceled during the same budget year can be reactivated by the spending unit for the same purposes for which they were budgeted, in accordance with the first paragraph of Article 43 of this Law.

Commitments undertaken by spending units beyond funds forecasted in the annual budget law and beyond the decision of the council of the local government unit on the budget, or contrary to this act or other legal acts shall not be included as part of financial liabilities of the general government. When the authorizing officer of the general government unit assumes commitments beyond funds provided in the budget, or contrary to this act or other legal acts, shall be held responsible for settling the liability.

#### **Article 52** **Execution of expenditures**

The process and responsibilities for the authorization and execution of public expenditures are defined in the law on public internal financial control. Expenditures of general government units shall be checked on the basis of full documentation certifying the execution of the relevant expenditure under the law on public internal financial control.

Expenditures shall be made only if the spending amount does not exceed funds committed for this purpose.

Expenditures resulting from commitments undertaken in previous years, in accordance with specific provisions of the annual budget law, shall be included in the budget of the following year.

The spending of approved state budget funds and local budget funds shall be realized until the end of the budget year.

Settlement of commitments, with the completion of the term provided in the paragraph above, shall be realized with funds approved for the following budget year, except for cases when expenses are paid before the end of the budget year. In this case, the payment is made before 31 January of the following budget year. This period shall serve to prepare basic documentations and to make the payment.

#### **Article 53** **Reimbursement of expenses**

If the general government unit will receive a reimbursement during the fiscal year for an amount that is paid in the annual limit of funds allocated for the same budget year, the original expenditure shall be reduced by the amount reimbursed.

If the general government unit will receive a reimbursement for an amount that is paid in the annual limit of funds allocated in the previous budget year, the reimbursement shall be treated as receivables in the budget year.

#### **Article 54** **Execution of payments**

Commitments and financial liabilities of general government units are paid only from the treasury accounts, through the treasury system by persons authorized by the first authorizing officer upon the proposal of authorizing officers of general government units.



Before the execution of payments, the treasury system shall control:

- a) The existence of engagement;
- b) The basic documentation that confirms the service performed;
- c) The existence of sufficient cash for the payment.

Payments made during the budget year, regardless of the time of public expenditures, shall be recorded as payments of this year.

#### **Article 55** **Closing the budget**

The annual budget shall be implemented up to 31 December of the budget year.

#### **Article 56** **Accounts closing report**

The first authorizing officer shall prepare a report to the Minister of Finance to close cash accounts and consolidated annual budget, within the last day of February.

### CHAPTER VI BORROWING AND GUARANTEES IN PUBLIC SECTOR

#### **Article 57** **Authority to borrow**

The Council of Ministers is the only authority at the central level that has the right to get loans from international institutions, states or legal persons to finance investment projects in accordance with constitutional provisions and laws. It is the only authority that provides State loan guarantees. The Assembly shall ratify international agreements that have to do with the assumption of liabilities on financial obligations.

The Minister of Finance shall represent the Council of Ministers in loan agreements and international State guarantees.

The Minister of Finance is the only authority that has the right to get loans from legal and / or natural persons, within the limits set in the annual budget law.

The Minister of Finance is the authority that issues debt instruments and negotiates in state loan agreements and state loan guarantees.

The Minister of Finance has the right to choose the type of financial instruments, characteristics and conditions thereof. The opinion of the Bank of Albania shall be taken for loan agreements that anticipate a monetary policy.

The council of the local government unit is the authority that has the right to get loans and to issue guarantees, in and outside of the country, for local government loans.

Long-term local government loans shall be approved in advance by the Minister of Finance regarding procedures, limits and effects thereof.

#### **Article 58** **Public debt limits**

Public debt consists of State debt and local government debt.

The annual budget law shall set the limit for:

- a) The new state debt to be taken in the budget year;
- b) The total state debt;
- c) New guarantees to be issued during the budget year;
- ç) The total amount of guarantees.

Local government units shall get loans and issue guarantees in cases when:

- a) The ratio of operating surplus, calculated as the difference between the operating income, in total (from its own resources, shared taxes and unconditional transfers) and the non-conditional operating expenses of the local government unit, including the debt service and the cost of debt service to be paid annually for long-term debt, shall not be less than 1.4: 1;
- b) The ratio of debt stock against operating income, in total, from its own resources, shared taxes and unconditional transfers, shall not be more than 1.3: 1;
- c) The annual maximum limit of debt service to average income of three previous fiscal years of the local government unit shall not exceed the rate of 20 percent.

~~Total public debt, including guarantees, shall not exceed the limit of 60 percent of gross domestic product.~~

#### **Article 59** **Loan data management**

The Minister of Finance shall be responsible for the identification, registration and management of all loans, state guarantees on the public debt register.

The Minister of Finance shall be responsible for the identification and registration of all loans, local guarantees on public debt register. The Minister of Finance shall approve the format and the timeframe for local government units to report on public debt data.

#### **Article 60** **Debt service**

For debt service needs, any amount of interest and principal on the public debt and guarantees thereof shall be performed through the treasury single account. For debt service needs, the necessary liquidity should be provided in order to ensure the settlement of liabilities in accordance with conditions and terms contracted for such liabilities.

### CHAPTER VII BUDGET ACCOUNTING SYSTEM

#### **Article 61** **Accounting standards and procedures**

The Minister of Finance shall be responsible for establishing the accounting system mandatory for all general government units in accordance with internationally accepted standards.

The Minister of Finance shall assign the respective general government unit and spending units that are obliged to keep accounts and to report in accordance with the standards set.

The treasury system shall keep State accounting and it is part of public accounting. It is responsible for keeping State accounts and for preparing periodic and annual reports on the budget implementation.

The accounting and reporting in the public sector shall be regulated by a special law and the Minister of Finance shall issue a guideline on accounting standards and procedures for general government units. The first authorizing officer and authorizing officers of general government units shall be responsible for the functioning of the accounting system in accordance with this law and other acts thereof and instructions of the Minister of Finance.

The income and expenses methods, for the purpose of this law, have to do with:

- a) Recognition of current and capital expenditures of the budget year at the time of their occurrence, regardless of the date of payment;
- b) Recognition of tax revenues, non-tax revenues, including revenues from the sale of assets at the time of their collection.

#### **Article 62**

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

The Minister of Finance shall issue instructions for all authorizing officers of central government units, local government units and special funds to close the budget year and publish financial statements.

Authorizing officers of general government units, at the end of the year, shall file financial reports in the treasury system, pursuant to instructions of the first authorizing officer for the preparation of annual financial statements of the general government.

Authorizing officers of general government units shall definitively finalize and confirm annual budget financial statements with the first authorizing officer, within 31 March.

The Minister of Finance shall submit the consolidated annual report on the budget implementation to the Council of Ministers within May, accompanied by information on the achievement of objectives, the situation on management and internal financial control and internal audit. A copy of this report shall be sent to the High State Audit that shall audit annual budget accounts.

#### **Article 63**

##### **Approval of the consolidated annual report on budget implementation**

The Council of Ministers, within June, shall submit the consolidated annual report on budget implementation to the Assembly, which shall contain:

- a) Consolidated annual accounts on financial transactions of the State;
- b) The annual budget implementation report at the level of approved funds;
- c) The report on public debt and its composition;
- ç) The report on the use of reserve and contingency fund;
- d) Information on the achievement of objectives, the situation on management and internal financial control and internal audit.

The consolidated annual report on budget implementation, adopted by the Assembly, shall be published in the Official Journal within October of each year.

**Article 64**  
**Archiving of Financial Data**

The authorizing officer of general government units shall be responsible for the preservation and archiving of financial documents, in accordance with legal provisions in force. The Minister of Finance shall issue instructions for the implementation of legal provisions in force on the preservation and archiving of financial data.

CHAPTER VIII  
MONITORING, BUDGET SYSTEM AUDITING AND INSPECTION

**Article 65**  
**Monitoring**

Authorizing officers of central government units shall submit to the first authorizing officer, whenever requested, but no less than four times a year, budget implementation monitoring reports on financial performance, outputs and objectives achieved for each program determined in the first year of the final document of the medium-term budget program. For local government units, these reports shall be submitted to the respective council. The format, content and timing of monitoring reports shall be defined by the Minister of Finance in the budget implementation guideline. The Minister of Finance shall submit for information to the Council of Ministers and the Assembly a copy of monitoring and budget implementation reports, within one month after the end of the reporting period. The head of the local government shall submit for information to the relevant council a copy of the monitoring and budget implementation report of the local government unit. Monitoring and budget implementation reports shall be published on the official website of the ministry responsible for finances by the first authorizing officer, in accordance with deadlines determined by the Minister of Finance.

**Article 66**  
**Public internal financial control**

The Minister of Finance is responsible for introducing the system of public internal financial control for all general government units, which shall include:

- a) A financial management and control system;
- b) The internal audit independent, decentralized function;
- c) Central harmonization units in the ministry responsible for finances, for the harmonization and coordination of the implementation and operation of management and financial control and internal audit systems;

All general government units shall be responsible for establishing a sustainable system of management and financial control and an independent functioning of internal audit. The central harmonization unit for management and internal financial control and the central harmonization unit for internal audit, which report to the Minister of Finance shall be established in the ministry responsible for finances.

The Minister of Finance, each year, shall submit a report to the Council of Ministers and the High State Audit, on the implementation and functioning of management and financial control and the functioning of the internal audit in general government units, including important findings and recommendations on internal audit.

**Article 67**  
**Management and financial control**

Management and financial control define managerial accountability for the planning, implementation and control of the budget, accounting and reporting, to achieve the objectives and avoid waste, misuse and theft of property. Management and financial control in the public sector are regulated by a special law.

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

Internal audit as a service to authorizing officers of general government units, shall ensure, reasonably, that public resources available to the general government unit:

- a) Have been spent, documented and reported, based on reliable and fast information;
- b) Have maximally contributed to achieve policy goals and objectives;
- c) Have been used efficiently, economically and effectively;
- ç) Have not been stolen, misused or abused.

All general government units and commercial companies, where the State owns over 50 percent of the capital, which receive public funds, regardless of the form of organization, shall be subject to auditing.

The decentralized internal audit unit in each general government unit shall report to the authorizing officer and shall be independent in carrying out its audit function, from the functional point of view as well as from the organizational one. It is not part of operational structures.

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

**Article 69**  
**Financial inspection**

The first authorizing officer, at any time, has the right to inspect any document and financial system of:

- a) Each general government unit;
- b) Each public economic enterprise, non-profit public organization, joint authority that is controlled, financed or provided with financial guarantees by a general government unit; or in which a general government unit, directly or indirectly, owns or controls a portion of property, which gives the owner the right to control;
- c) Any recipient of funds from the budget or under an international agreement relating to these funds.

When the first authorizing officer launches a financial inspection, he shall consider the following:

- a) Information, complaints and other evidence of violation of financial management procedures issued by the Minister of Finance;
- b) Management and financial control reports;
- c) Internal audit reports;
- ç) Reports of the High State Audit;
- d) Requests of the Minister of Finance;
- dh) Requests of authorizing officers;
- e) Requests of the Prosecutor General.

Financial inspections in the public sector are regulated by a special law.

Financial inspections shall be carried out by one or more professionally qualified experts, appointed case by case (ad hoc) by the Minister of Finance, in accordance with qualifications specified in the law on financial inspections.

Financial inspections may not restrict, prevent or stop High State Audit functions. The first authorizing officer shall submit a copy of all financial inspection reports to the Minister of Finance and the High State Audit.

The first authorizing officer may send a copy of financial inspections reports to other structures responsible for law enforcement.

#### **Article 70** **External Audit**

General government units are subject, without limitation, to external audit, which is conducted by the High State Audit.

### CHAPTER IX VIOLATIONS AND SANCTIONS

#### **Article 71** **Administrative offences**

Any violation of obligations defined in this law, that shall not constitute a criminal offense, shall constitute an administrative offense punishable by a fine as follows:

- a) If the authorizing officer and / or implementing officer of a spending unit of the general government unit should use public money for unapproved purposes, he shall be punished with a fine by the first authorizing officer, which ranges from 5-7 monthly salaries;
- b) If the authorizing officer of a spending unit of the general government unit should undertake commitments, without available funds, contrary to Article 50 of this law, he shall be fined by the first authorizing officer with 7 monthly salaries;
- c) If the authorizing officer and / or implementing officer of a spending unit of the general government unit or the treasury officer should allow an excess of allocated budgetary funds, contrary to Article 42 of this Law, or should make payments in excess of committed funds, contrary to Article 54 of this law, they shall be punished with a fine by the authorizing officer, which ranges from 3-7 monthly salaries;

- ç) If the authorizing officer of the local government unit should get loans or issue guarantees which are not in accordance with the second paragraph of Article 58 of this law, he shall be punished with a fine by the authorizing officer, which ranges from 5-7 monthly salaries;
- d) If the authorizing officer of the general government unit should fail to submit requirements and additional requirements of the medium-term budget program in time and as required, contrary to Articles 24 and 27 of this Law, he shall be punished with an administrative measure or a fine by the first authorizing officer, which ranges from 1-3 monthly salaries;
- dh) If the implementing officer should fail to implement the cash flow plan, contrary to the last paragraph of Article 49 of this Law, he shall be punished with an administrative measure or with a fine by the first authorizing officer, which ranges from 1-3 monthly salaries.
- e) If the authorizing officer and / or implementing officer of the general government unit should fail to meet obligations for the fiscal year-end closing and issuance of fiscal year-end statements, contrary to Article 62 of this law, shall be punished with an administrative measure or with a fine by the first authorizing officer, which ranges from 1-3 monthly salaries.
- ë) If the implementing officer of the general government unit should make entries in accounting records without the justifying legal documentation for economic events and transactions, he shall be punished with an administrative measure or a fine by the first authorizing officer, which ranges from 1-3 monthly salaries.

## **Article 72**

### **Complaints against decisions**

Complaints against the decision of the first authorizing officer who has issued decisions to impose penalties for violations, shall be filed to the Minister of Finance, within the time specified in the Administrative Procedure Code.

The decision of the Minister of Finance can be appealed in court, in accordance with the Administrative Procedure Code.

## **CHAPTER X TRANSITIONAL AND FINAL PROVISIONS**

### **Article 73**

#### **Issuance of sub-legal acts**

The Council of Ministers is charged to issue sub-legal acts, pursuant to Articles 25, 28, 29, 35, 36, 39 and 63, under the terms defined in this law.

The Minister of Finance is charged to issue sub-legal acts pursuant to Articles 24, 27, 34, 38, 61, 62 and 64, under the terms defined in this law.

### **Article 74**

#### **Transitional provisions**

Heads of central government units, if they deem it reasonable, can perform functions of the first authorizing officer or authorizing officers for a period of no more than 3 years after the entry into force of this law.

Internal audit units shall report to heads of general government units for a period of no more than 3 years after the entry into force of this law, or till the day when the first authorizing officer or authorizing officers of general government units shall perform their functions in accordance with Articles 18 and 19 of this law.

Sub-legal acts that conflict with this law shall apply to the extent they are compatible with it, up to the time they will be changed, but no later than one year from the date of entry into force of this law.

#### **Article 75**

##### **Repeals**

Law No. 8379, dated 29.7.1998 "On the drafting and implementation of the State Budget of the Republic of Albania", as amended, and any other legal and sub-legal act, which is inconsistent with this law, shall be repealed.

#### **Article 76**

##### **Entry into force**

This law enters into force 15 days after its publication in the Official Journal.

Promulgated by decision No. 5799, dated 10.07.2008 of the President of the Republic, Bamir Topi.