#

#

#

# **Reform on Local Finances**

# Public Finance Management Aspects

#

#  Prepared by

#  Stefan Pfäffli & Ornela Shapo,

#  facilitated from Erton Kashta and Valbona Karakaçi

#  DLDP Input Tirana, 25 April 2016

Table of content

1. General provisions
1.1 Objectives of the provisions on local public financial management

1.2 Scope of applications of the provisions

1.3 Definitions

1. Principles for the overall management of local finances
2.1 Legality

2.2 Budget balancing

2.3 Economy

2.4 Urgency

2.5 Efficiency

2.6 Polluter pays principle

2.7 Compensation of advantage

2.8 No earmarking of main taxes

2.9 Impact orientation

2.10 Transparency

1. Planning and reporting instruments
3.1 Strategic development plan

3.2 Fiscal strategy

3.3 Medium term budget programme

3.4 Annual budget

3.5 Annual report

1. Budget preparation, approval of the budget and amendments
4.1 Budget preparation

4.2 Legislative scrutiny and budget approval

4.3 Amendments of approved budgets

4.4 Issues of previous year having an impact on later years

1. Budget implementation
5.1 Revenue administration

5.2 Cash management

5.3 Expenditure control

5.4 In-year budget reports

1. Strategic monitoring, oversight, external audit and public scrutiny
6.1 Strategic monitoring

6.2 Oversight function of MoF

6.3 External audit

6.4 Legislative scrutiny and disclosure

1. Budgeting, accounting and reporting requirements
7.1 Budget equilibrium and assessment of financial situation

7.2 Accounting and financial reporting

7.3 Balance sheet and consolidation

1. Sanctions in case of non-compliance and resolution of financial problems
8.1 Sanctions in case of non-compliance

8.2 Resolution of financial problems

**Law on Local Finances – Section B: PFM Version: 2016-04-26**

Details of possible content Prepared by Stefan Pfäffli

 & Ornela Shapo

| **Chapter** | **Issues** | **Content** | **Albanian legal framework** | **Findings from quick PEFA assessment**  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| 1. General provision
 | * 1. Objectives of the provisions on local public financial management
 | The provisions on local public financial management shall * support the effective and transparent use of local financial resources in accord with strategic priorities and local needs, ensure fiscal discipline and enable efficient delivery of public services;
* describe the instruments and procedures which are necessary for the management of local finances;
* regulate the management of local finances and performance particularly with regard to the budget planning process, the authorisation for local spending, the accounting and reporting procedures, the procedures for the oversight on local finances and performance as well as the interaction between the Ministry of Finance and the municipalities in the area of the management of local finances.
 | LOB / “Law on Management system”. No. 9936/2008Article 1 and 2 | General consideration from interviews with LGU representative shows that a complete law where repetition and further clarifications from the current legislation is necessary in order to facilitate concrete / daily work of the Finance Officers at Municipality. |
| * 1. Scope of application of the provisions
 | The provisions on local financial management applies to* the municipalities,
* the qarks
* the local utilities and municipal special purpose organisations wherever appropriate,
* the Ministry of Finance and especially to the Treasury department.

In what follows, qarks, local utilities and municipal special purpose organisations are included in the provisions for municipalities. | LSG law / “Local Self Governance Law” no. 139/2015 Article 3 / Select those related to finances | Economic units usually are left aside when discussion annual budget law, MTBP, development strategies, fiscal policies. Clearly listing the economic units that depend from LGUs within the application of this law will attract the attention of the LGU representatives to consider them when the above are discussed, designed etc.. |
| * 1. Definitions
 | Administrative assets Assets used for government services; they are needed for the provision of goods or services of the public sector.Administrative classification Classification of expenditure which informs about the allocation of resources to administrative units.Annual financial statement Financial report including at least an end of year statement of the financial position (balance sheet) and a statement of the financial performance (income statement) for the entire year.Annual performance report The annual performance report provides key performance information which compares the actual policy achievements of the year under review with the planned performance in accordance with the budget of the same year.Annual report The annual report consists of an annual financial statement and an annual performance report.Arrears Amounts of unpaid or past the due date bills. Amount accrued from the date on which the first missed payment was due, payment delay for debt or meeting an obligation.Availability payment A regular payment or subsidy over the lifetime of the project, usually conditional on the availability of the service or asset at a contractually specified quality.Balance sheet Statement of the values of the stock positions of assets owned and of the liabilities owed at a particular point in time.Budget t.b.d.[[1]](#footnote-1)Budgetary unit Organizational unit of the municipality without legal personality, such as a department, which covers its expenditure directly from the municipal budget.Budget year Financial year for which the annual budget is to be approved. It starts 1st of January and ends 31 December. Cash basis of recording Flows are recorded when cash is received or disbursed.Cash management Process of ensuring sufficient liquidity on a daily basisClassification Categorisation by type of revenue and expenditure.Compensation clause Under PPP, a commitment to compensate the private party for damage or loss due to force majeure events.Consolidation Method of presenting statistics for a set of units (or entities) as if they constituted a single unit.Contingent liability Commitment for payment whose occurrence, timing and magnitude depend on uncertain future events which are outside of the control of the government.Current spending Total spending excluding spending for capital investments and repayment of debts.Direct liabilities Under PPP, payment commitments that are not dependent on the occurrence of an uncertain future event. There may be some uncertainty regarding the value.Debt guarantee Commitment to pay part or all of the debt used to finance the project, providing more security to the lender.Economic classification Classification of expenditure which provides information on resource utilisation in the economic process for the provision of goods and services, for example, salaries, goods and services purchased, transfer and interest payments, or capital spending.Expenditure Sum of money spent including payments for net investment in nonfinancial assets.Functional classification Classification of expenditure which provides information on the purpose for which money was spent.Financial assets Financial claims including gold bullion held as a reserve asset.Fiscal year Begins January 1st and ends December 31st.Functions of government Policy-sector related tasks of governments, here municipalities, such as education, health, social welfare, environmental protection, security, etc. Guarantee Under PPP, an agreement to compensate the private party for loss in revenue should a particular risk variable deviate from a contractually specified level.ISSAI International standards of supreme audit institutions.GSM Group on strategic management.Ceiling Binding spending limit.Line item See: vote.Liquidity management Cash flow forecast and cash managementLong-term From four up to ten or more years.Market prices Value at which goods, services, labour or assets are exchanged or could be exchanged for cash.Medium-term From one up to three years.Non-financial assets Economic assets other than financial assets.Output based payment A payment or subsidy per unit or user of a servicePPP Public Private PartnershipPPP contract Public work or public service contract that fulfils al the conditions defined by law as a PPP signed between the contractual authority on the one side and the selected economic provider on the other side.Programme Group of activities which serve the same broad policy goal. Programmes consist of one or more government functions.Programme classification Classification of expenditure which provides information on money spent for the purpose of a programme. Revenue Increase in financial resources resulting from a transaction.Short-term Up to one year. Tax expenditure Tax discounts and exemptions to taxpayers in the particular year.Termination payment Under PPP, commitment to pay an agreed amount, should the contract be terminated due to default by the public or private party. Trading assets Financial or non-financial assets that are held for the purpose of reselling them for a profit.Transaction Economic flow resulting from an interaction between institutional units.Treasury Single Account t.b.d.Valuation Estimation of the worth of an asset.Viability gap payment A capital subsidy, which may be phased over the construction period based on achievement of milestones, or against equity investmentsVote One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different budgetary units, functional areas, programmes or economic spending categories of the municipality. Votes are also called line items. At the same time, it specifies the total amount that is appropriated per line item in a budget. | LOB / Article 3 “Definitions”/ definitions to be taken into consideration which are relevant for PFMLSG law Article 2 / all definitions which are relevant for PFMLOB/Article 9 “Receipts” / meaning revenues LOB / Article 10 “Payments” / meaning expendituresLOB / Article 11 “Budgetary classifications”LOB / Article 13 “The budget year” LGB / Law on Local Government borrowing, No. 9869, date 4.02.2008 Article 3 “Definitions” points 2 – 12LPP / Law on Public Procurement, No. 9643, date 20.11.2006Article 3 “Definitions”, take those of relevance. From those proposed here nothing is foreseen at LPP.CPPP / Law on Concessions and Public Private Partnership, No. 125/2013Article 3 “Definitions”, for reference no 16 “Financial support” and no 17 “Value for money”FMC/Law on Financial Management and Control, No. 10296/2010Article 3 “Definitions”, refer to:* Internal public finance control
* Public funds
* Public control
* Budgetary unit

Law on the Internal Audit in the public sector No. 9720/2007 / IAPC Article 3 “Definitions”, refer to:* Internal audit
* Internal control
* Internal public finance control
* Finance management and control

From the current legal framework the following definitions are completely missing:* Classification
* Functional classification
* Economic classification
* Current spending
* Consolidation
* Cash basis of record
* Functions of government
* Fiscal year
* ISSAI
* GSM
* Line item
* Long-term
* Market price
* Medium-term
* Short-term
* Trading asset
* Valuation
* Vote
 | The definition for **LGU’ debt stock** was not clear in what the stock consist of. Does it include only commercial loans / borrowing or include also the unpaid contracts to third parties (arrears)? There for the definition with regard LGU stock of debt might be included. |
|   |  |  |  |  |
| 1. Principles for the overall management of local finances
 | * 1. Legality
 | All expenditure needs a solid legal basis. Constitutional or legal provisions as well as court decisions are accepted as legal basis.  | LOB / Article 4”Principles of the operation of budgetary system” / all definitions to be taken into considerationLSG law Article 4 “Fundamental principles of LSG”/ select those of relevanceTo be added principles specifically related with LFArticle 34 “Fundamental principles of LG finance” / points 1, 2, 3, 4, 5 and 6 |  |
| * 1. Budget balancing
 | Expenditure and revenue needs to be balanced permanently. | LOB/Article 12 “Budgetary deficit and surplus” / fourth paragraph |  |
| * 1. Economy
 | Spending decisions shall be reviewed regarding necessity and financial sustainability. Appropriations shall be used timely and in the appropriate amount, taking into consideration quality and price. | * LOB, Article 4
 |  |
| * 1. Urgency
 | For the prioritization of expenditure, the pressing need shall be taken into account. | Missing  |  |
| * 1. Efficiency
 | For each spending scheme, the variant is selected which offers the economically most advantageous solution for a specific purpose.  | * LOB, Article 4
 |  |
| * 1. No earmarking of main taxes
 | As a general rule, taxes must not be earmarked for special purposes. | Missing  |  |
| * 1. Impact orientation
 | Financial decisions should be guided by impact considerations. The impact can be assessed based on performance indicators or on cost benefit analysis. | Missing  |  |
| 2.8 Transparency | Information on fiscal plans, positions, and performance of the municipality is easily accessible to the general public. In particular, the completed budget documentation, the amended budget and all financial reports including audit statements are publically available. | * LOB, Article 4
 | The public access to fiscal information is very low or nonexistent. It appears that only the proposed annual budget is made public after approval by the municipality council. The entire set of budget documentation is not made public and the pertinent calendar for that is missing. Is this due to deficiencies in the legal framework or because of failure to implement the law?* The main cause is the failure to implement the law.Public access is very low or absent entirely due to non-implementation of the legal obligations by the side of the municipality.
* Fiscal provisions are changed very often
* Demand for accountability by the citizens or interest groups are missing.
 |
|  |  |  |  |  |
| 1. Planning and reporting instruments
 | * 1. Strategic development plan
 | 1. The mayor is responsible for the preparation of a strategic development plan of the municipality as required by the law on local self-governance, article 28, and by the law on territorial planning. The mayor is supported by the municipal group on strategic management. The strategic development plan is sent to the municipal council for approval.
2. The strategic development plan provides policy guidance towards a well-balanced development of the municipality and covers a time span of around 10 years.
3. The strategic development plan considers the local development need and potential as well as regional and national strategic development priorities; it presents the main challenges and actions needed per broad policy area and identifies core development projects of the municipality and their costs.
 | LSG / Article 28, Municipalities shall assume the responsibilities for preparing the strategic development plans The TPD Law provides for the obligation of the LGU and mayor as manager to prepare the general territorial plan in line with National and Regional plans.  |  |
| * 1. Fiscal strategy
 | 1. The mayor is responsible for the preparation of the fiscal strategy of the municipality. The mayor is supported by the department of finances. The fiscal strategy is sent to the municipal council for approval.
2. The fiscal strategy serves the purpose of assessing affordability end ensuring financial sustainability of annual and medium-term budgetary decisions.
3. The fiscal strategy defines the main financial policy directions of the municipality and includes explicit time-based quantitative fiscal goals and targets together with qualitative objectives for the budget year and the following two years or beyond. In addition, it estimates the fiscal impact of all proposed changes in revenue and expenditure policy for the same period.
 | There is no fiscal strategy provision either within LOB (current version and new amendments proposed) or within LSG law.LOB / Article 23 “Macroeconomic assessments and forecasts”. New amendments proposed to this article / Article “11” on its second paragraph, letter a) provides also requirements for fiscal assessment and forecast as part of the report that Minister of Finance is submitting at Prime Minister within January. LGUs are not part of this provision.  | Fiscal impact of policy proposals it is not used as an internal procedure at the municipality level that supports the annual and medium term budget exercise.The municipality does not make an assessment for the fiscal impact of all proposed changes in revenue and expenditures policy for the budget year |
| * 1. Medium-term budget programme
 | 1. The mayor is responsible for the preparation of the medium-term budget programme (MTBP). He is supported by the group on strategic management and the financial department of the municipality. The MTBP is sent to the municipal council for approval.
2. The purpose of the MTBP is to enable planning and management of municipal finances and services in the medium term.
3. The MTBP is classified along a programme structure in the framework of the functional classification. The programme structure is approved by the municipal council.
4. The MTBP includes information for the last two years, the budget year and the following two years oni. each category of municipal revenues;ii. expenditure according to the administrative, functional,  economic and programme classification; ii. the policy content of each programme including main tasks,  challenges and projects;iii. performance objectives for each programme including  performance indicators and annual targets;iv. financial information on each programme including  expenditure broken dawn according to the economic  classification and revenue broken down according to the  revenue classification;v. the development of the financial key financial indicators as  defined in chapter 7.1.
5. The MoF facilitates the preparation of the MTBP with a financial planning tool.
 | LSG law Article 41 “LGU budget and MTBP” / points 1 and 2LOB / Article 26 “MTBP” letter bAnnual guidance on MTBP is issued by the MoF. Usually focus is given to CG, while LGUs are either mentioned a little or a second noticed is issued only for them. For reference last MoF Instruction No. 4, date 29.02.2016 on MTBP for the period 2017-2019.No indication with regard of key documents to be used such as General development plans for LGUs or macroeconomic indicators (only exchange rate) are provided. There are clear time lines for the process in general and consultations with MoF only with regard CG. New amendments to LOB (Article 13) are providing for some information that CG is making available to LGUs such as:* Unconditional transfer (formula & amount)
* Conditional transfer (aim and amount)
* National shared taxes (for three consecutive years)
 | **Medium-term perspective in expenditure budgeting:**The annual budget presents estimates of expenditures for the budget year only and not for the two following fiscal years.Aggregate expenditure ceilings is provided only for the budget year and not for the other two coming yearsAggregate and spending units expenditure ceiling for the budget year are approved only for spending units within the municipality and not for the departments / functions within the municipality.No medium-term expenditure ceilings are issued for spending units.There is no evidence that MTBP is aligned with the strategic plans and medium-term budgets. **Performance plans for service delivery:** * Key performance indicators for the planned outputs and outcomes of programs or services that are financed through the budget are not included in the Municipality budget proposal or related documentation, at the function, program or entity level.
* Only MTBP is based on performance indicators, but there is no link between the annual budget and MTBP

LGU representatives provide argumentation with regard performance indicators as following:* Lack of capacity for including performance indicators in the budget.
* Performance indicators are missing and there is no accountability towards the mayor, which leads to lack of incentives.
* There is a need to make budgeting with programs and otherwise have penalties in place.
* Inspection from the line ministries is missing.
* The new law should define a number of indicators related to the local budget planning.
 |
| * 1. Annual budget
 | 1. The mayor is responsible for the preparation of the annual budget. The mayor is supported by the group on strategic management and the financial department.
2. The budget is sent to the municipal council for approval.
3. The purpose of the annual budget is to enable planning and management of municipal finances and services in the short term.
4. The annual budget uses the identical classification as the MTBP.
5. For the annual budget, the following principles are applied:

|  |
| --- |
| i. *Annuality* meaning that all budgetary operations are  attached to one financial year; this implies that the  implementation of expenditure is authorised for one year  only; ii. *Unity* meaning that all revenue or expenditure  transactions of the municipality needs to be  presented in one and the same budget document;iii. *Completeness* meaning that all expected revenue and  expenditure needs to be presented in the budget;iv. *Accuracy* meaning that all revenue and expenditure must  be booked to a budget heading and no  expenditure may be incurred in excess of the authorised  appropriations;v. *Universality* meaning that the total revenue in the budget  must cover the total expenditure; the revenue in the  budget constitutes a common fund which is used to  finance all expenditure without distinction; vi. *Specification* meaning that each appropriation must have a  particular intended use and be spent  only for that specific purpose;vii. *Gross budget principle* meaning that there cannot be any  adjustment of revenue and expenditure against each other; revenue and expenditure must be  entered in full in the budget; viii. *Comparability* meaning that budgets are comparable  across time and with the MTBP, in-year and  annual report.1. The annual budget includes the following pieces of information:i Macroeconomic assumptions including GDP growth, inflation, interest rates; ii. Revenue estimation for each source of municipal revenue for the budget year;iii. Appropriations of expenditure for the budget year under the different votes of the budget;iv. Explanations on individual budget items and on deviations from last year figures, in particular when resulting from new policy initiatives or major investments;v. Quantification of tax expenditures;vi. Information on debt stock, financial and tangible assets, liabilities, guarantees, and long-term  obligations, key financial indicators; In the case of PPPs, specific information is provided on commitments for viability gap payments, availability payments, output-based payments as well as for specific contingent liabilities such as guarantees for particular risks, compensation clauses, termination payment commitments, debt guarantees.vii. Programme objectives, key performance indicators, outputs to be produced or outcomes planned by programme or function;viii. Service delivery agreements with external partners.

ix. In the case of PPPs, value for money is  demonstrated by a cost-benefit analysis; in addition, a long-term oriented financial affordability appraisal is included in the budget documentation. Furthermore, it is specified in detail how direct and contingent liabilities resulting from the PPP are covered. The MoF provides further guidance. |

 | LOB / Article 6 “Local budget”/ harmonization or total transfer of textLOB / Chapter III “Roles and responsibilities of bodies in the budgetary process”, Article 14, 15, 16, 17New amendments to LOB / Article 16 are providing for:* Annual budget proposal is approved within October from CoM
* MoF submits within 10 days from approval to LGUs: unconditional grant and shared taxes.

Note: still no timeline are fixed for LGUs. Timelines to be proposed in LFL!!! An indication might be the “MoF guideline for annual budget preparation”  | **Annual budget proposal to the legislator do not provides for solid argumentation and documentation support.**Elements for budget documentations are not made part of the budget proposal such as:* Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate
* Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard
* Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard
* Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts, and so on
* Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs
* Documentation on the medium-term fiscal forecasts
* Quantification of tax expenditures

The LGU representatives are arguing that:The budget procedure is not properly known and used by the local government.The law should clearly define the documentation arguing the budget and provide (as annexes) various templates to be filled. |
| 3.5 Annual report | 1. The mayor is responsible for the preparation of the annual report. The mayor is supported by the municipal group on strategic management and by the financial department. The annual report is sent to the municipal council for approval.
2. The annual report is submitted to external audit within three months of the end of the year.
3. The purpose of the annual report is to i. provide a record of the activities of the municipality during the financial year to which the report relates;ii. provide a report on performance against the budget of the municipality for the financial year;iii. promote accountability to the local community for the decisions made and performance achieved  throughout the year by the municipality.
4. The annual report of the municipality must includei. the annual financial statement of the municipality as sent to the auditor, if necessary in a consolidated  form as well; ii. full information on revenue, expenditure, financial and non- financial assets, liabilities, guarantees, and long-term obligations, especially on direct and contingent liabilities in the case of PPPs;ii. the report of the external auditor;iii. the annual performance report of the municipality;
5. The annual report must be comparable with the approved budget.
 | LOB/Article 56 “Report for closing accounts”Article 62 “Preparation of the annual budget reporting”, first paragraphArticle 63 “The approval of the annual consolidated budget implementation report” have no provisions for LGUs, but letters a, b, c, d and e should apply for LGUs also.Article 65 “Monitoring”LSG/Article 44 “Reporting”NOTE: missing clear indications on what the report should consist of. Basically what is proposed from PFM model should be taken into consideration completely, adding the actual legal provisions |  |
|  |  |  |  |  |
| 1. Budget preparation, approval of the budget and amendments
 | 4.1 Budget preparation | 1. A clear annual budget calendar is issued by the mayor and communicated to all budgetary units at the beginning of the budgeting process. The municipal budget calendar is harmonized with the national budget calendar. The municipal calendar allows budgetary units at least six weeks from the receipt of the budget circular to prepare their detailed budget request on time.
2. A comprehensive and clear budget circular is issued by the mayor to all budgetary units covering total budget expenditure for the full budget year. The budget circular is prepared by the group on strategic management, based on a comprehensive revenue estimation for the short and medium term and reflecting the priorities of the Strategic Development Plan, the fiscal strategy and the Medium Term Budget Programme. The budget circular includes binding ceilings for the total budget and for each budgetary unit limiting total spending as well as current spending. In addition, it specifies the details of the format for budget requests from budgetary units.
3. Budgetary units prepare the budget requests as required by the budget circular and hand it in to the department of finances. Capital investment projects are included in the budget request. They are fully costed and include cost information on recurrent costs. In case of multi-year projects, the cost share of each year is clearly indicated. Budget requests include information on planned performance in addition to financial information.Information on budget requests include details on PPP related payment requirements and long-term financial commitments.
4. The department of finances prepares a first draft budget based on the budget requests. The department controls whether budget requests are in line with the budget circular and discusses with budgetary units when budget requests are not kept within ceilings.
5. The draft budget is finalized by the group on strategic management considering updated revenue estimation and completed by the department of finances with all information as required under 3.4.f.
 | LSG law Article 16 “Public consultation” / points 1 and 2Article 18 “Consultation sessions with community”, points 1, 2 and 3Article 79 “Open meetings, Public hearings and the right of the public to be informed”LOB / Article 7 “Special funds”/ harmonization or total transfer of textLSG law Article 58 “Dissolution of MC”, point 2/a – in relation with failure to approve budget in due time.LOB / Article 32 “Preparation and approval of local budget”/ unfortunately this law has details on state budget that do not require same principles or spirit for application to LGUs / Article 22, 23, 24, 25, 26, 27, 28, 29, 30 such as: (i) preparation of public expenditure management calendar; (ii) macroeconomic and budgetary assessment and forecast; (iii) budget preparation and instructions; Draft medium-term budget program; (iv) MTBP; (v) complementary budget preparation instruction; (vi) revised medium term budget programme; (vii) draft annual budget. All this articles should be written addressing LGUs into this LFL law. LOB / Article 33 “Publishing of the local budget”Article 37 “Interim local budgets”Article 45 “Supplementary funds request”Article 47 “Local budget implementation review”Article 48 “Deadline for reallocation of budgetary funds”. | Budget preparation process:Evidences shows that no circular are issued to spending unit to give guidance on the methodology and instructions how to prepare the budget. Only spending units receive a ceiling (a lump sum to spend) fond.Ceilings / limits are not allocated for local administrative units or functional areas.NOTE: a suggestion might be to make part of the LFL budget implementation instructions from MoF / which are related with this issue.  |
| 4.2 Legislative scrutiny and budget approval | 1. The mayor sends the finalized draft budget to the municipal council by 1 November of the year preceding the budget year. At the same time, the budget draft is made publicly available and explained to council members and interested citizens at appropriate information events.
2. The municipal council reviews the budget draft based on procedures that are approved by the municipal council in advance of the review process.
3. The municipal council has the right to amend the budget provided that the principle of budget balancing remains guaranteed. Furthermore, the municipal council may reject the budget; in this case, the mayor prepares a new draft budget. If the new draft budget is still not approved by the municipal council by the end of April, the budget is sent to the Ministry of Finance which will then decide on the budget.
4. The council decides on the annual budget before the official start of the new budget year, i.e. before the first of January.
5. If the budget is not yet adopted by the municipal council on 1st January, the mayor is entitled to carry out expenditure necessary to maintain ordinary operations of the municipality for a period no longer than 30 April of the budget year, based on an interim budget. The interim budget for each month and each programme shall not exceed one twelfth of the actual expenditure of the programme financed by the budget in the previous budget year. The MoF provides further guidance for this case.
 | LOB / Chapter III “Roles and responsibilities of bodies in the budgetary process”, Article 14, 15, 16, 17Article 32 “Preparation and approval of local budgets”, provides for:Within November , mayor shall submit draft local budget to MCClear provision for the maximum time line for approving the annual local budget does not exist. Below list of articles were indirectly the time line is assessed:* Article 34 “Making the annual budget law effective” / January 1st
* Article 37 “Interim local budgets” / January 1st

LSG /Article 58 “Dissolution of the Municipality Council” Budget approval on January 1st !!!! | The municipality fails to approve the budget within at least one month of the start of the year. According to the law no. 9936, dt 26.06.2008 “On the budget management system” the budget year starts on January 1st. For Lezha and Shkodra the budget was never approved before February. For 2016 ex. the budget is still not approved. Some measures might be inserted within the new LFL in order to improve timing of budget approval. For example: define clearly how CoM intervenes in case of failing to approve within the defined time line besides dissolving the MC. Which are the intermediary procedures!!!! |
| 4.3 Amendments of approved budgets | 1. In the event of unavoidable, exceptional or unforeseen circumstances, the mayor may propose amendments of the adopted budget for the current year to the municipal council. In cases where budget balance is at risk, it is mandatory that the mayor proposes amendments of the adopted budget. Budget amendments are subject to the same rules as described in section 4.2, lit. b. and c.
2. The mayor is entitled to approve excess expenditure of maximally 5 percent per vote of the approved budget. In addition, if expenditure is covered by earmarked revenue, additional expenditure is allowed as long as the additional expenditure is fully covered by additional revenue for this purpose.
 | This provision is defined differently into the LOB / Article 42 “Allocation of budgetary funds”LOBArticle 44 “Budget reallocations”. There are limitations with regard CG (reallocation of funds between programs, within CG Units and various general government units, shall not exceed 10% of the total fund approved for the program; There are no limitations in term of X% as maximum for the LGUs. The reallocation is proposed by the Mayor to MC. The latest one has to approve.  |  |
| 4.4 Issues of previous year or having an impact on later years | 1. Budgetary units are entitled to carry over maximally 3% of unspent appropriations from the year that proceeds the budget year to the budget year in case of current expenditure and the full amount of unspent appropriations in case of capital expenditure unless the mayor decides otherwise.
2. Additional unspent resources are used to build up equity or to reduce debts.
3. In case of multi-year projects or contracts, the expenditure planned for the budget year is assigned to the annual budget; the expenditure for future years is included in the MTBP and recorded in the treasury system. In the case of long-term contracts reaching beyond the MTBP time horizon of three years, the long-term expenditure implications are presented in the annex of the budget. The same applies for revenues.

Alternative provision for a. and b. for discussion:The unspent funds are carried over at 100% for investment only. Current expenditures unspent are used based on MC decision. | LOB / Article 8 “Mng of financial resources of general government” / pay attention to last paragraph – very important since the experience shows that LGUs are closing the year with surplus.1. This provision is not foreseen in Albanian legislation. Do we need to implement this very strict one?! A discussion on this is necessary!!!!!!
2. Provided within new LOB amendments / Article 20 “The right to undertake expenditures”. For multiyear contracts funds are foreseen within the annual budget but not less than 20% for the first year.
 |  |
|  |  |  |  |  |
| 1. Budget implementation
 | 5.1 Revenue administration | 1. Taxpayers are granted easy access to comprehensive and up-to-date information about the main revenue obligation areas as well as about the means and procedures to appeal.
2. All revenue collected is transferred daily to the National Treasury. Municipalities receive a monthly report on all revenue collected broken down by revenue type.
3. Municipalities use a structured and systematic approach for assessing compliance risks for all categories of revenue and, as a minimum, for their largest revenue payers.
4. Procedures and rules for the transfer or disposal of nonfinancial assets needs to be approved by the municipal council. Information on transfers and disposals is included in the budget documents and in the annual report.
5. A municipality may incur short-term debt only when necessary to bridge shortfalls within a financial year during which the debt is incurred in expectation of specific and realistic anticipated revenue to be received within this year. Approval of the municipal council is needed to incur short-term debt as well as clearance from National Treasury. The municipality must pay off short-term debt within the financial year and may not renew or refinance this debt.
6. A municipality may incur long-term debt only for the purpose of financing capital expenditure on property, plant or equipment to be used for the purpose of achieving the policy objectives of the municipality as laid down in the annual budget or the MTBP. Approval of the municipal council is needed to incur long-term debt as well as clearance from National Treasury. A municipality may borrow money for the purpose of re-financing existing long-term debt provided that the re-financing does not extend the term of debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed and the debt after re-payments is always covered by the time value of the investment.
7. Borrowing against future appropriations is prohibited. The only exception is that budgetary units have the right to carry over the unused funds of multi-year investment contracts but no longer than three years, provided ex ante approval by the municipal council.
8. Municipalities undertake regular revenue audit and fraud investigations; the information is used to prepare and implement compliance improvement plans.
9. The stock and the age structure of revenue arrears is reported annually to the municipal council together with information on the arrears management process.
 | LOB / Article 8 “Management of financial resources of general government”/ harmonization or total transfer of textLOB / Article 38 “Budget implementation instruction”Article 39 “Collection and maintenance of public money”LGB / Article 6 “Authority to issue short term debt »Article 7 “Authority to issue long term debt”LOB / Article 57 “The authority to borrow”, the last two paragraphsArticle 58 “The limits of public borrowing” second paragraph, letters a, b and c | **Public access to fiscal information is very little / almost inexistent**. We should verify if this low performance is due to legal provisions or lack of implementation. Only the annual executive budget proposal documentation is made available after budget proposal is approved at MC. A complete set of executive budget proposal documents is not made available to the public. Time line for this publication is not available. All the other provisions as below are completely missing such as:* Enacted budget. The annual budget law approved by the legislature
* In-year budget execution reports;
* Annual budget execution report;
* Audited annual financial report, incorporating or accompanied by the external auditor’s report;
* Pre budget Statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt
* Other external audit reports. All no confidential reports on central government consolidated operations
* Summary of the budget proposal. A clear, simple summary of the executive budget proposal or the enacted budget accessible to the non-budget experts, often referred to as a “citizens’ budget,” and where appropriate translated into the most commonly spoken local language,
* Macroeconomic forecasts.

**Non-financial assets monitoring:**Municipality maintains a register of its holdings of fix assets, and collects partial information on their usage and age; this information it is not published.LGU representatives are arguing that they have some issues with regard nonfinancial assets such as: * Monitoring of financial assets is incomplete and not made public. Assets are not inventoried and neither registered in IPRO, and therefore not used to generate revenues
* Such a thing is not required (by law). Decision of the Council of Ministers no. 30 does not require publication of Municipality assets.
 |
| 5.2 Liquidity management | 1. All cash and bank balances of each municipality are consolidated at least on a daily basis by National Treasury.
2. A cash flow forecast is prepared by National Treasury for each municipality for the fiscal year and updated at least monthly on the basis of actual cash inflows and outflows.
3. Municipalities are provided information on commitment ceilings at least monthly in advance by National Treasury.
4. Commitments are limited to projected cash availability and approved budget allocations. Municipalities are obliged to report the commitments in order of their recording in the single commitment database at National Treasury. In case municipalities make commitments that require the use of budget funds in the following years, municipalities have to obtain prior approval by National Treasury which decides on requests within two months.
 | LOB / Article 49 “Cash flow plan’Article 50 ‘ Budgetary commitments ‘Article 51 ‘Management of commitments’ |  |
| 5.3 Expenditure control | 1. After the approval of the budget, municipalities shall prepare an annual financial plan by months on the use of the appropriations by departments and by economic classification. The financial plan takes into account the seasonal nature of certain expenditures as well as the specifics of capital investment projects. Municipalities submit the annual financial plan to National Treasury in order to optimize the planning of a timely instalment of grants.
2. The GSM prepares an annual procurement plan for all new and ongoing projects and activities for the municipality; the procurement plan is approved by the municipal tender commission and sent to National Treasury at the beginning of the fiscal year. National Treasury verifies whether the procurement plan matches the approved budget. The procurement plan, signed by National Treasury, is submitted to the National Public Procurement Agency. After these preliminary processes, procurement measures can be executed. Incidentally, the law on public procurement applies.
3. For the execution of payments, municipalities shall submit payment requests to National Treasury together with the accompanying documents (invoice, magazine entry sheet, purchase order, fund approved and other documents as required by MoF) to justify the expenditures. Procurement requests are signed by the Mayor or deputy mayor together with the head of the concerned unit. Treasury authorizes payment via the banking system.
4. The total cost and physical progress of major investment projects are monitored during implementation by the implementing budgetary unit. Information on the implementation of major investment projects is published in the budget documents and in the annual report.
5. Data on the stock, age, and composition of expenditure arrears are generated monthly within four weeks of the end of each month.
6. Personnel records and payroll are updated at least monthly; authority to change records and payroll is restricted and subject to annual payroll audits.
7. In each municipality, an internal audit unit is established aimed at controlling enforcement of legislation, conducting financial inspection of budgetary assets and liabilities, revenues and expenditures, programs, activities and investment. Based on assessments and evaluations, the internal audit makes recommendations and proposes risk management measures. The internal audit unit exercises its function based on an annual audit programme; its reports are sent to the audited unit, the Mayor and the GSM.
 | LSG law Article 40 “Expenditures” / points 4, 5 and 6LOB /Article 40 “The right to make expenditures”Article 42 “Allocation of budgetary funds” / rephrasing is advised in order to get the regulation clearlyArticle 43 “Breakdown of the budgetary funds” / clear definition of spending units, what can be considered spending units is advised. Article 44 “Budget reallocation”, for the local government paragraph (points a, b, c and d)Article 52 “Making expenditures”Article 53 “Expenditure reimbursement”Article 54 “The execution of payments”Article 55 “Budget closure” | **Aggregate revenue out-turn compared to Original approved budget** is high* Lack of accuracy of fiscal forecasts due to lack of MTEF,
* skills and abilities
* collection rate is low

**The difference between actual primary expenditure and the originally budget primary expenditure** is high NOTE:Should be assessed what is the reason behind / is it legal? Is it technical, lake of capacities to provide acquired plans? Economic effect, less revenues?**Conditional funds are never made part of the initial plan.** * Why CG do not provide in good time figures with regard conditional funds? By law it is required that MoF provides unconditional funds only. This should be foreseen within the LOB (new amendments)
* Probably intergovernmental relations need to be specified within the LFL and also new amendments to LOB
 |
| 5.4 In-year budget reports | 1. In-year budget reports are prepared at least monthly, and issued within four weeks from the end of each month.
2. The Treasury is responsible for the generation of periodic budget execution reports of LGUs.
3. Coverage and classification of the report allows direct comparison to the original budget. Information on expenditure is covered at both commitment and payment stages.
4. In-year budget reports are publicly available.
 | LSG law Article 44 “annual report” |  |
|  |  |  |  |  |
| 1. Strategic monitoring, oversight, external audit and public scrutiny
 | 6.1 Strategic monitoring | 1. The implementation of the strategic development plan is monitored annually as part of the preparation of the MTBP, and the monitoring report is published together with the MTBP.
2. The implementation of the MTBP is monitored annually as part of the preparation of the annual budget, and the monitoring report is published together with the annual budget.
 | LOB/Article 65 “Monitoring”Should be harmonized in order to reflect the proposed text from PFM model  |  |
| 6.2 Oversight function of MoF | 1. The MoF supervises compliance of municipalities with the legal provisions on the financial management of municipalities based on the MTBP, the annual budget, in-year reports and the annual report including the audit report.
2. The MoF supports the financial management of municipalities with guidelines, templates, instructions and trainings as well as auxiliary financial management instruments, and with the cash management function of the National Treasury.
3. The MoF regularly publishes a municipal finance statistic. In particular, this statistic shows and analyses time series of revenue and expenditure data of each municipality in accordance with the revenue, functional and economic classification.
 | LOB/Article 66 “Public internal financial control”Article 67 “Financial management and control”Article 68 “Internal audit”Article 69 “Financial inspection” the last paragraphLSGArticle 13 “Supervision and control”a) is regulated by law; while b) and c) are totally missing. Annual budget law provides data for LGUs unconditional transfer and respective formula only. The MoF statistic reports do not offer details for LGUs | It results that MoF never realized audits for unconditional transfers to LGUs (pilot of quick PEFA). LOB provides details only for CG, and very little provisions for LGUs.  |
| 6.3 External audit | 1. Financial reports including revenue, expenditure, assets and liabilities of all municipalities are audited annually by a fully independent and professional external audit institution using ISSAI standards.
2. Audit reports are submitted to the municipal council within two months from receipt of the annual report for the last three completed fiscal years.
3. The mayor reports on the follow up of audit remarks in the annual report of the following fiscal year.
 | LSG law Article 43 “External financial control and audit” / points 1, 2, 3 and 4LOB Article 69 “Financial inspection” the last paragraphArticle 70 “External audit” | Quick PEFA shows that:External audit is realized only from HSC. An external auditor is never hired by the MC. Line Ministries never audit their conditional transfers to LGUs.MC role is almost inexistent. The LGU submits HSC reports only when is asked from the MC.  |
| 6.4 Legislative scrutiny and disclosure | 1. The municipal council must consider the annual report no later than two months from the date on which the audit report is available.
2. The municipal council may approve the annual report with or without reservations or reject the annual report. The mayor reports in the annual report of the following year on measures taken to respond to critical reactions of the municipal council on the annual report for the past year.
 | LSG law Article 44 “annual report”LOB/Article 65 “Monitoring”The above legal provision do not provide for clear time line for report submission. The max no of reports is 2 (biannual budget execution reports). There are no provisions with regard supporting documents for budget report execution and requirements for respective analysis.  |  |
|  |  |  |  |  |
| 1. Budgeting, accounting and reporting requirements
 | 7.1 Budget equilibrium and assessment of financial situation | 1. In order to maintain budgetary equilibrium, the total of municipal revenues must cover the total of municipal expenditure each year.
2. The ratio of long term debts to total municipal revenues should not exceed 130%.
3. The ratio between the total multi-year financial commitments undertaken in PPPs is limited to a maximum of 5% of the annual tax revenues of the municipality.
4. Subsidy payments to PPPs, i.e. availability payments or output-based payments, are treated in the same way as debt service payments. They are not subject to legislative approval.
5. Each municipality publishes a series of financial key indicators in the annual budget and annual report for the respective time span. The key financial indicators are specified in detail by the MoF together with limits for each indicator.Possible indicators are:i. Overall expenditure/overall revenueii. Tax revenues/overall revenuesiii. Own revenues/overall revenuesiv. Overall revenue per inhabitantv. Tax revenue per inhabitantvi. Fee revenue per inhabitantvii. Own revenue per inhabitantviii. Capital investment expenditure / overall expenditureix. Capital investments expenditure per inhabitantx. Tax arrears per inhabitantxi. Payment arrear per inhabitantxii. Long term debt / total municipal revenuexiii. Long term debt / own revenuesxiv. Long term debt per inhabitant

xv. Expenditure share for pro-poor policiesxvi. Expenditure share for policies in favour of gender equality | LSG law Article 39 “Local borrowing” / points 1, 2 and 3LGB/Article 18 “Limitations on long term debt” Article 19 “Limitations on line of credits”Article 20 “Limitations on aggregate debt”LOB / Article 58 “Limits of public borrowing”, second paragraph letter b (The ratio of the debt stock to operational revenues from its own sources, shared taxes and unconditional transfer is not more than 1.3:1;.  |  |
| 7.2 Accounting and financial reporting | 1. Accounting shall enable an accurate description of the state of the municipal finances with respect to assets and operational results. It records all transactions of the municipality in a chronological and systematic way.
2. Municipalities use a cash basis of accounting.

For discussion: modified accrual accounting for expenditure.1. Accounting follows the principles of comprehensiveness, accuracy, timeliness and verifiability.i. Comprehensiveness means that all transactions are registered without any gap and in the period in  which they happened. No direct settlement is applied like using reserves or similar.ii. Accuracy means that accounting records are in accordance with the facts.iii. Timeliness means that accounting is always up-to-date.iv. Verifiability means that transactions are recorded in a clear and understandable way, corrective entries  are marked and all entries must be proved by supporting documents.
2. Treasury serves as an accountant of local government transaction data.
3. Municipalities keep the accounting reports together with the supporting documentation in the archive for ten years.
4. Assets with a useful life of more than one year are recorded in the asset register. MoF provides guidance on the format of the asset register.
5. For financial reporting, generally accepted standards are applied. These standards are further specified by MoF.
 | LOB /Article 56 “Report for closing the accounts”LOB / Article 59 “Management of debt data”Article 61 “Accounting standards and procedures”, special focus letters a and bArticle 62 “Preparation of the annual budget accounts”LGB/Article 26 “Ledger of Local Government Debt”Article 27 “Debt annex in the local budget” | **Accounting** / same classification as Treasury, while for internal use are appropriating different programs. Difficulties to consolidate internally. Municipalities depend on Treasury reports for their internal financial analysis and reporting to Municipality and others. LGU representatives are arguing that:* There are difficulties in the internal consolidation and reporting, which can be eliminated in the case of systems unification.
* Legal rules are needed.
* The adoption of a unique accounting system with unified standards is necessary.
* Investments are required for the digitalization of the accounting system.
 |
| 7.3 Balance sheet and consolidation | 1. The balance sheet shows assets and liabilities of the municipality at the balance sheet date. Assets are grouped into trading assets and administrative assets. Liabilities are grouped into debt and equity. Furthermore, assets are listed according to their convertibility into cash, liabilities according to their maturity. Further guidance on the structure of the balance sheet is provided by the MoF.
2. Trading assets are valued at market price; for the valuation of administrative assets, the depreciated replacement cost method is used. Further guidance on the valuation of assets is provided by the MoF.
3. Independent institutions or organisations which have one or more of the following features are consolidated or their financial situation is presented in the annex to the annual report:i. the municipality owns the institution or organisation fully or large parts of it;ii. the municipality pays substantial transfers for the operation of these institutions or organisations;iii. the municipality is able to control the institution or organisation;iii. the municipality is liable for the institution or organisation. The MoF specifies the details of the consolidation approach and provides guidance for municipalities.
 | LOB / Article 63 “Approval of the annual consolidated budget implementation report” – this provision refers to the CG Budget. The same spirit should be transposed to the LGUs in line with 7.3 proposed as a PFM model for the law.Article 64 “Archiving financial data”  | LGUs are arguing the following:* The consolidated balance sheet does not include separate spending units that depend from the LGU. Assets are not reflected entirely since lack of information (registration is missing)
 |
|  |  |  |  |  |
| 1. Sanctions in case of non-compliance and resolution of financial problems
 | 8.1 Sanctions in case of non-compliance | 1. Cases in which local officers or authorities fail to comply deliberately or in a grossly negligent way with the provisions on municipal financial management as specified in this law or in related laws are considered as financial misconduct. In particular, these are cases of irregular, fruitless and wasteful expenditure and failures to prevent it, corruptive practices or failures to prevent it, misleading or false information in the budgeting or reporting documentation or presented to the auditing institution, National Treasury or the municipal council on money received or spent by the municipality or failures to prevent it.
2. The municipality must investigate allegations of financial misconduct against municipal officers unless those allegations are frivolous, vexatious, speculative or obviously unfounded. If the investigation warrants such a step, the municipality institutes disciplinary proceedings. In case of allegations against municipal authorities, MoF in collaboration with MoSLI, is responsible to investigate the assertions. Criminal proceedings remain reserved.
3. Decisions on disciplinary measures in cases of financial misconduct are appealed to the Minister of Finance. The Minister of Finance decisions are appealed to the Administrative Procedures Code.
 | LOBChapter IX “Violations and penalties”Article 71 “Administrative violations”, Article 72 “Appealing the decisions”To be taken into consideration amendments to LOB, Article 35 |  |
| 8.2 Resolution of financial problems | 1. The primary responsibility to avoid, identify and resolve financial problems rests with the municipality itself.
2. A municipality must meet its financial commitments.
3. If a municipality encounters a serious financial problem or anticipates problems in meeting its financial commitments, it must immediately- seek solution for the problem,- notify the financial commission of the municipal council- notify the MoF.
4. If the MoF becomes aware that there is a serious financial problem in a municipality, the MoF must- consult the mayor of the municipality to determine the facts,- assess the seriousness of the situation and the municipality’s  response to the situation,- determine whether the seriousness of the situation requires an  intervention.
5. Criteria for determining serious financial problems:i. The municipality has failed to make payments as and when due;ii. The municipality has defaulted on financial obligations for financial reasons;iii. The actual expenditure of the municipality has exceeded its revenue for at least two consecutive years;iv. The financial key indicators strongly deviate from its range of target values;v. The municipality is 60 days late in submitting its annual financial report;vi The external auditing entity has withheld an opinion or issued a disclaimer due to inadequacies in the financial statements or issued an opinion which identifies a serious problem in the municipality;vii The municipality is in a serious or persistent material breach of its obligations to provide basic services  or to meet its financial commitments.
6. In case the seriousness of the situation requires a financial intervention, the MoF prepares a financial recovery plan for the municipality which includes appropriate changes to the municipal budget and revenue rising measures. The recovery plan is consulted with the mayor of the municipality to obtain the municipality’s cooperation in applying the financial recovery plan and resolving the financial problem.
7. If the municipality cannot or does not implement the financial recovery plan, the MoF may take further appropriate steps to ensure implementation of the recovery plan.
8. If a municipality is unable to meet its financial commitments, it may appeal to the Supreme Court for an order to stay, for a period not exceeding 90 days, all legal proceedings, including the execution of legal process, by persons claiming money from the municipality or a municipal entity under the sole control of the municipality. Before issuing an order for suspension of a municipality’s financial obligations to creditors, the court must be satisfied that the municipality cannot meet its financial obligations and all tradable assets of the municipality were liquidated. If the court issues an order for a temporary suspension of a municipality’s financial obligations, a distribution scheme for the proportional settlement of all legitimate claims against the municipality as at the date of the order must be prepared in accordance with current law (insolvency act). The distribution scheme must be approved by Court.
 | LGB/Article 23 “Financial distress”Article 24 “Exit from financial distress”Article 25 “Insolvency”There is a need to provide regulation with regard process and procedure for resolving the event of insolvency and procedures.Referring to the above referred legislation an Event of Insolvency shall have occurred if: a. A Local Government has defaulted in the payment of principal or interest on any debt obligation or financial guarantee issued and recognized by it, or subject to a binding court decree, and such default has continued for a period of sixty (60) days; and such amount in default exceeds thirty percent (30%) of the Local Governments own source revenues and unconditional transfer received in the prior fiscal year; or b. A Local Government has outstanding accounts payable in an amount greater than thirty percent (30%) of its budget for a period of ninety (90) consecutive days, and there has been a material adverse impact on the essential services provided by the Local Government.  |  |

**References:**

* LOB Law on Management system No. 9936/2008 (Albania) / so called **L**aw on **O**rganic **B**udget
* LSG **L**ocal **S**elf **G**overnance Law No. 139/2015 (Albania)
* LGB Law on Local Government borrowing, No. 9869, date 4.02.2008
* LPP Law on Public Procurement, No. 9643, date 20.11.2006
* CPPP Concessions and Public Private Partnership, No. 125/2013
* FMC Law on Financial Management and Control, No. 10296/2010, as amended in 2015
* IAPC Law on the Internal Audit in the public sector No. 9720/2007
* TPD Territorial planning and development, No. 107/2015. Articles 15 and 20 provides provisions with regard general territorial development plan and

documents required to be prepared. There are no indications with regard financial effect, procedures and authorities that can affect the LFL

Annex:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Tentative Calendar for the Budget Year** |  |  |  |  |  |  |  |  |  |  |  |
|   | Jan | Feb | Mar | Apr | May | June | Jul | Aug | Sep | Oct | Nov | Dec |
| Budget calendar | x |   |   |   |   |   |   |   |   |   |   |   |
| 1st revenue estimation |   |   |   |   |   | x |   |   |   |   |   |   |
| Budget circular including MTBP |   |   |   |   |   | x |   |   |   |   |   |   |
| Budget request including MTBP |   |   |   |   |   |   |   | x |   |   |   |   |
| 1st draft budget including MTBP |   |   |   |   |   |   |   |   | x |   |   |   |
| 2nd draft budget including MTBP |   |   |   |   |   |   |   |   |   | **X** |   |   |
| Budget hearing |   |   |   |   |   |   |   |   |   |   | x |   |
| Budget adopted |   |   |   |   |   |   |   |   |   |   |   | **X** |
|   |
| Annual financial plan | x |   |   | x |   |   | x |   |   | x |   |   |
| Annual procurement plan | x |   |   |   |   |   |   |   |   |   |   |   |
| Report on revenues collected | xxxxxxx | xxxxxxx | xxxxxxx | xxxxxxx | xxxxxxx | xxxxxxx | xxxxxxx | xxxxxxx | xxxxxxx | xxxxxxx | xxxxxxx | xxxxxxx |
| Expenditure arrears report | x |   |   | x |   |   | x |   |   | x |   |   |
| Cash flow forecast | x | x | x | x | x | x | x | x | x | x | x | x |
| Commitment ceilings | x |   |   |   | x |   |   | x |   |   | x |   |
| Personnel record and payroll update |   |   | x |   |   | x |   |   | x |   |   | x |
| In-year reports | x |   |   | x |   |   | x |   |   | x |   |   |
|   |
| Strategic monitoring (SDP and MTBP) |   | x |   |   |   |   |   |   |   |   |   |   |
| Annual report prepared |   |   | **X** |   |   |   |   |   |   |   |   |   |
| Audit report |   |   |   |   | **X** |   |   |   |   |   |   |   |
| Annual report adopted |   |   |   |   |   |   | **X** |   |   |   |   |   |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| x = milestone |  |  |  |  |  |  |  |  |  |  |  |  |

1. Parts in RED need further discussion from the involved actors [↑](#footnote-ref-1)