

LAW

No. 9936, dated 26.6.2008

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

(Amended by Law

No. 114/2012, dated 7.12.2012, Law No. 57/2016, dated 2.6.2016, by normative act No. 27, dated 1.7.2020¹ ; by normative act No. 25, dated 22.6.2021²)

(Updated)

In support of articles 78, 83 point 1, 111 and 157 of the Constitution, with the proposal of Council of Ministers,

**ASSEMBLY
OF THE REPUBLIC OF ALBANIA**

DECIDED:

**CHAPTER I
GENERAL PRINCIPLES**

Article 1

Object of the law

This law regulates the budget system in the Republic of Albania, the structure, principles and foundations of the budget process, intergovernmental financial relations and responsibilities for the implementation of budget legislation as a whole.

Article 2

Scope of law enforcement

This law is implemented by general government units in all phases of the budget process, which means: a) preparation, review and approval of the budget; b) implementation, monitoring and review of the budget; c) rights and restrictions on borrowing, guarantees, as well as other forms derived from them; d) control, accounting, reporting, inspection and audit of the budget.

Article

3 Definitions

(Amended by Law No. 57/2016, dated 2.6.2016, added point 50 by normative act No. 27, dated 1.7.2020)

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

1. "Budget" is the totality of revenues, expenditures and financing of central and local government and special funds, which are approved by law by the Assembly of Albania, hereinafter "the Assembly" or by decision of the council of the local government unit.

2. "Annual Budget Law" is the law that approves the revenues, expenditures and financing of the State Budget, special central funds and transfers from the State Budget to the units of the

¹ Normative Act No. 27, dated 1.7.2020, was approved by Law No. 94/2020, dated 23.7.2020. ² Normative Act No. 25

, dated 22.6.2021 was approved by Law No. 86/2021, dated 1.7.2021.

local government, for the budget year.

3. "Special fund" is a fund established by law, which has as its sources tax or non-tax revenues, which are used only for financing the functions or specific activities of the central or local government.

4. "General government units" are the entirety of central government units, local self-government units and special funds.

5. "Central government units" are the units of executive, legislative and judicial power, established by the Constitution, law or decision of the Council of Ministers, whose primary activity is the fulfillment of central government functions.

6. "Local government units" are units of various local levels, established by law, whose primary activity is the fulfillment of local government functions within a certain territory.

7. "Special funds unit" is the unit established by law to exercise functions specific to central and local government.

8. "Spending unit" is the smallest organizational unit of general government units, for which budgetary funds are detailed.

9. "Approved Fund" is the maximum limit approved by the annual budget law or by decision of the decision-making bodies of local government units, within which general government units have the right to make expenditures.

10. "Distributed fund" is the fund approved according to the budget classification and placed in at the disposal of the general government unit.

11. "Detailed fund" is the fund distributed according to budget classification, detailed in spending unit level.

12. "Redistributed fund" is the fund resulting from balanced additions and subtractions of the previously detailed fund.

13. "Cash plan" is the forecast of cash receipts and disbursements of general government units.

14. "Authorized spending amount" is the maximum periodic spending limit in spending unit level.

15. "Reserve fund" is the fund created to finance non-permanent expenses, and unforeseen, in the budget preparation phase.

16. "Contingency fund" is an undistributed fund created to cover potential risks to revenues and expenditures during budget implementation.

17. "Expense" is the reduction in net assets, which ends with the payment of capital or current, non-refundable, with or without obligation to return.

18. "Income" is the increase in net assets, which ends with capital or current receipts, with or without repayment obligation.

19. "Grant" is income, obtained in the form of a donation, for a specified purpose or not, without condition of return and without interest, which is used to finance economic activities.

20. "Debt" is the amount of loans taken in the banking and financial markets and from third parties, natural persons, legal entities or individuals, with a repayment condition, with or without interest, for the financing of certain investment projects, temporary lack of liquidity and fiscal budget deficit.

21. "Long-term local debt" is the debt in national or foreign currency of the local government unit, which must be repaid over a period of time equal to or longer than one year.

22. "Contingent liability" is the liability that may arise for the general government unit in relation to a third party, in the future, as a result of possible risks, related to events or initiatives, direct or indirect, of previous years.

23. "Economic use" is the use of a given quantity and quality of inputs in a given time and at the lowest cost.

24. "Effectiveness" is the extent to which a product contributes to the achievement of policy objectives or budgetary policy goals.

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

26. "Medium-term budget program" is the presentation of budget expenditure plans for three years, through the direct connection of programs with policy activities, outputs, objectives and goals.

27. "Budget program" is a group of activities of a general government unit, which are effectively administered and contribute together to the production of identifiable and measurable outputs, which help, directly or indirectly, to achieve the objectives and goals of its budgetary policy.

28. "Budget program policy objective" is the desirable and measurable result achieved in the long term by the activities of general government units.

29. "Budget program policy objectives" are specific results precisely measured in time, quantity and cost, which are achieved in a short to medium term period and which constitute intermediate steps towards achieving the budget program policy goal.

30. "Inputs" are the financial, human and physical resources used to carry out activities, which are necessary for the exercise of certain functions and which are finalized with the production of certain products.

31. "Budget program activities" are the set of activities carried out within a program to produce a product.

32. "Products" are the goods and services provided by the performance of the budgetary activities of the budget program.

33. "Medium-term budget program ceiling" is the upper limit of expenditures, within which general government units prepare the budget requests for this program.

34. "Financial management and control" is a system of policies, procedures, activities and controls through which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public services.

35. "Public internal financial control" is the entirety of the internal control system, exercised by public units, to ensure that the financial management and control of public sector units is in accordance with the relevant legislation, budget requirements, as well as with the principles of financial management with transparency, effectiveness, efficiency and economy. Public internal financial control includes all activities, with the aim of controlling the income, expenses, assets and liabilities of public units. It also includes the central harmonisation and coordination of financial management and control, as well as internal audit.

36. "Internal audit" is an independent activity, within the general government unit, that provides, in a reasonable manner, authorizing officers with assurance about the effective use of funds and the improvement of the exercise of the functions of these units.

37. "Treasury system" is the set of rules and procedures, as well as the relevant organizational structure, responsible for budget execution, cash management, account keeping and financial reporting of the general government.

38. "Budgetary commitment" is the assumption of financial obligations, in written form, through the entry into a contractual relationship.

39. "Quasi-fiscal activity" is activity of a fiscal nature, carried out by public sector units, not general government units.

40. "Tax expenditure" is the measure of the effects of tax exemptions or reliefs, which are undertaken to promote certain activities.

41. "First Authorizing Officer" is the highest-ranking officer under the law on civil service in the ministry responsible for finance, responsible for the preparation, implementation, internal financial control, monitoring, reporting, accounting and internal audit of the State Budget.

42. "Authorizing officer" is the highest-level official 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. "Second-level authorizing officer" is the public administration officer in each of the 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 officer" is the public administration employee in the general government unit, responsible for implementing financial management rules, keeping accounts and preparing financial statements, who is accountable to the authorizing officer of the relevant level.

45. "Government Financial Information System (GFIS)" is the financial system through which the Government of the Republic of Albania carries out all processes of execution and financial reporting of the State Budget.

46. "Tax laws", within the meaning of this law, are the laws that determine the level of taxes or special taxes in specific areas of taxes, national and local, the administration of tax obligations, as well as the organization and functioning of the tax administration in the Republic of Albania.

47. "State loan guarantee" is a written agreement that contains rules on the rights and obligations of the parties, the conditions and methods according to which the state is responsible for the financial obligations of a borrower when he fails to pay them on time and in the due amount.

48. "Quasi-fiscal activities" are activities carried out by non-budgetary state institutions, which have direct or indirect costs to the state budget.

49. "Investment project" is a series of works, activities or services, intended to fulfill an indivisible objective of a specific economic or technical nature, with clearly identified goals.

50. The "primary budget balance" is total budget revenues minus expenditures. total budget plus interest expenses.

Article 4

Principles of functioning of the budget system

(Added point "e", by law no. 57/2016, date 2.6.2016)

The principles of the functioning of the budget system are: a) transparency, predictability, comprehensiveness, unity and universality in the management of the budget system and special funds; b) fiscal discipline, in accordance with macroeconomic stability and sustainable economic and social development; c) distribution of resources, in accordance with the strategic objectives of the Council of Ministers; ç) economic, efficient and effective use of public resources; d) clear responsibilities for operational management; dh) strict respect for the integrity of the process. e) gender equality, which refers to the situation where men and women enjoy equal opportunities and access to rights and benefits of the same nature.

Transparency is the principle that provides the Assembly, local government councils and the general public with easily available, rapid, understandable and comparable data, at an international level, the integrity of which can be independently verified, regarding:

a) functions, organization, activities, roles and responsibilities of general government units; b) outputs for policy objectives and goals; c) budget preparation process; d) macroeconomic and fiscal forecasting; e) financial statements.

Article

4/1 Fiscal principles and rules

(Added by Law No. 57/2016, dated 2.6.2016, amended point 4, added point 5 by normative act No. 27, dated 1.7.2020; replaced words in point 5 by normative act No. 25, dated 22.6.2021)

The budget is programmed and implemented taking into account the following principles: 1. Public debt sustainability, which consists of: a) in each annual budget law, initial or revised, as well as in medium-term budget planning, the ratio of public debt to Gross Domestic Product will be planned lower than the estimated level for the previous year, until the debt level reaches and remains below 45 percent of Gross Domestic Product;

b) an exception to the rule of letter "a" may only be made in cases of exceptional circumstances extraordinary, defined in Article 4/4 of this law;

c) the value of the Gross Domestic Product, nominal in lek, which will be used to calculate the ratio of public debt to Gross Domestic Product for the budget years being planned and for the preceding year, cannot be higher than the respective value forecast or estimated in the "World Economic Outlook" report of the International Monetary Fund, the most recent published at the time when the annual budget law is submitted for approval to the Assembly. This is clearly documented in the accompanying report of the annual budget law;

ç) in each planned budget year, a special contingency of no less than 0.7 percent of total budget expenditures must be included to offset potential risks from fluctuations in exchange rates or interest rates, with an impact on the level of debt;

d) in each initial annual budget law, as well as in medium-term budget plans, when the real growth of the Gross Domestic Product, predicted in the respective IMF "World Economic Outlook" report, is at least 5 percent, then the overall deficit cannot be higher than 2 percent of the Gross Domestic Product, except in cases of exceptional circumstances, defined in letters "a", "b" and "c", of Article 4/4, of this law;

dh) in the monitoring phases of actual budgets, if due to possible revisions of nominal GDP or due to changes in exchange rates used to estimate the actual stock of public debt, it results that the ratio of public debt to GDP is not lower compared to the level of the previous year, then, as a rule, these deviations should be compensated for in the planning of subsequent budget years.

2. Privatization revenues are not part of the budget programming process. In cases of collection, they are used, not less than 50 percent, for reducing public debt and the rest for public investments. After reaching the level of public debt, according to the definitions of letter "a", point 1, of this article, the use of revenues collected from privatizations is determined in the annual budget law.

3. Amendments to tax laws, with effects on budget revenues, are made once a year, no later than three months before the start of the new fiscal year. Tax laws are consulted in advance with representatives of business and other interest groups, in structures established for this purpose.

4 The amount of the budget deficit may not exceed the amount of capital expenditures provided for each year in the budget law, except in cases of extraordinary circumstances as provided for in Article 4/4 of this law.

5. Starting from the budget year 2024 onwards, the primary budget balance must not result in less than zero, except in cases of exceptional circumstances as provided for in Article 4/4 of this law.

Article 4/2

Minimizing the risk of extra-budgetary actions *(Added by Law No. 57/2016, dated 2.6.2016)*

The total stock of state guarantees issued by the general government is included at 100 percent as a component of the total stock of actual public debt of each budget year. Any foreign loan taken out during a budget year by any general government unit must be included in the consolidated fiscal statement of the annual general government budget as part of the financing of the budget deficit.

Non-general government units, beneficiaries of budgetary funds and/or state guarantees, are subject to the same rules and procedures for the review and approval of public investments, applicable to central government units. Annual financial plans and quarterly financial statements of each non-general government unit are submitted to the Ministry of Finance.

The Ministry of Finance evaluates and approves, in advance, all concession and public-private partnership (PPP) projects, as well as any changes to them, from the point of view of the implications, individual or group, for budget expenditures, the budget deficit, the sustainability of public debt and eventual contingent liabilities.

The total amount of net annual payments made by general government units resulting from concession contracts or public-private partnerships (PPPs), as a rule, should not exceed the limit of 5 percent of the actual tax revenues of the previous budget year. In case of exceeding this limit, the Council of Ministers takes corrective measures on the side of budget revenues, necessary and sufficient to return within the allowed limit, during the next two budget years.

The Assembly, in the annual budget law, approves the ceiling of the total value of contracts as a percentage of the Gross Domestic Product (GDP), for all existing and newly contracted concession projects/ PPPs during the current budget year.

Article 4/3

Budget execution control in electoral years

(Added by law no. 57/2016, dated 2.6.2016)

In budget years during which general elections are held, the execution of the general government budget deficit, except in exceptional cases, as provided for in Article 4/4 of this law, shall be carried out in accordance with the provisions of this article as follows: a) the execution of the deficit by the end

of the first quarter of the budget year may not be higher than 30 percent of the annual deficit determined in the annual budget law; b) the execution of the deficit by the end of the first half of the budget year may not be higher than 30 percent of the annual deficit determined in the annual budget law; be higher than 55 percent of the annual deficit determined in the annual budget law;

c) the execution of the deficit by the end of the first nine months of the budget year cannot be higher than 80 percent of the annual deficit determined in the annual budget law.

Article

4/4 Cases of extraordinary circumstances

(Added by Law No. 57/2016, dated 2.6.2016)

Extraordinary circumstances, for the purposes of this law, are defined as cases when: a) natural disasters or catastrophes, technological accidents or other situations occur, unforeseeable and beyond the control of the Government, which endanger the life and health of Albanian citizens; b) the stability of the financial system is endangered and intervention is deemed necessary. from the State Budget;

c) a state of war is declared;

d) the real growth of the Gross Domestic Product, forecast in the respective IMF "World Economic Outlook" report, is 1 percent or lower than 1 percent and when, at the same time, the public debt ratio is and remains below the level of 60 percent of the Gross Domestic Product.

CHAPTER II

BUDGETARY SYSTEM IN THE REPUBLIC OF ALBANIA

Article 5

State Budget

(Amended fourth paragraph by Law No. 57/2016, dated 2.6.2016)

The State Budget includes all revenues, expenditures, and financing of the central government.

The State Budget includes a reserve fund and an undistributed contingency fund, which is approved by the Assembly in the annual budget law, up to 3 percent of the total value of the approved funds.

The reserve fund is used only for cases of financing expenses that are not known and are impossible to predict during the budget preparation process. Its use is approved by decision of the Council of Ministers.

The contingency fund is created to cope with the effects of non-realization of income and unforeseen effects of interest rates.

The State Budget cannot be inherited from one year to another, except in cases of defined in this law.

The State Budget is balanced in terms of receipts and payments.

All revenues and expenditures of the State Budget are in gross terms.

Article 6

Local Budget *(The*

fifth paragraph was removed and the fourth paragraph was amended by Law No. 57/2016, dated 2.6.2016)

The local budget includes all revenues, expenditures, and financing of the local government unit.

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

The reserve fund is used only for cases of financing expenses, which are not recognized

or are impossible to predict during the budget preparation process. Its use is made by decision of the local government unit council.

A contingency fund can be created to cope with the effects of non-realization of income.

All local budget revenues and expenditures are in gross terms.

Article 7

Special funds

The special fund of central or local government units is established 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 special funds of local government are proposed to the Minister of Finance by the council of the local government unit.

The law on the establishment of a special fund of central or local government shall determine: a) the purpose of establishing the special fund; b) the administrative unit of the special fund, which may be an independent central or local government unit or controlled by another unit; c) the method of financing and balancing the special fund; d) the method of consolidation in the accounts of the central or local government; d) the duration and method of closing the special funds.

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

The procedures for proposing and approving the budget of the central or local government special fund are the same as the State Budget.

The special funds of central government units are presented to the Assembly, together with State Budget.

Special funds of local government units are presented to the local government council, along with the local budget.

No extra-budgetary fund is created unless it is a special fund.

Article

8 Management of general government cash resources *(Last paragraph repealed by Law No. 57/2016, dated 2.6.2016)*

General government receipts and payments are made through the unified treasury account, held in lek and foreign currencies. The unified treasury account is held at the Bank of Albania.

The Minister of Finance, if required, for special funds, project financing or for the purposes of efficient cash management, may maintain a limited number of accounts at the Bank of Albania.

The Minister of Finance is authorized to sign agreements with the Bank of Albania and with second-tier banks, for the performance of banking operations and the management of general government monetary assets.

The surplus of temporarily free cash in the general government accounts at the Bank of Albania is invested according to the procedures established by instruction of the Minister of Finance.

Repealed.

Article 9
collections

Receipts include, but are not limited to: a) receipts related to reciprocal transactions: i) revenues from the sale of goods and services; ii) revenues from the sale of long-term assets; b) receipts related to non-reciprocal transactions: i) revenues from taxes, fees and charges; ii) revenues from owned assets; iii) revenues from grants; iv) revenues from mandatory contributions; c) receipts related to financial transactions: i) revenues from interest; ii) revenues from loans; iii) other revenues from the execution of administrative and criminal sanctions; ç) receipts from custody, guarantees and other assets in custody.

Article 10
PAYMENTS

Payments include, but are not limited to: a) payments related to reciprocal transactions: i) expenditures for the purchase of goods and services; ii) expenditures 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) rental expenses; c) financial payments: i) interest expenses; ii) financial lease expenses; iii) payments of debt principal; vi) custody payments.

Article 11
Budget classifications

Budget classifications are approved by the Minister of Finance, based on the proposal of the Chief Authorizing Officer, in accordance with international standards.

Budget classifications include, at a minimum: a) administrative classification, which represents the classification of government units general up to the spending unit level; b) economic classification, which represents the classification of transactions according to their economic nature; c) functional classification, which represents a detailed classification according to the functions or economic-social objectives that general government units aim to achieve.

fulfill/achieve;

ç) classification, according to programs, which represents programs, sub-programs and projects, in accordance with the objectives of general government units; d) classification, according to funding sources.

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

The codes and names of budget classifications and accounting accounts are unique for all general government units.

Article 12

Budget deficit and surplus (*Amended*)

by Law No. 57/2016, dated 2.6.2016)

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

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

The annual budget law determines the use of a budget surplus or the ways of financing it. a budget deficit.

The State Budget deficit is financed by domestic or foreign loans.

The local budget is balanced, except in cases where loans are taken to finance capital expenditures, which serve a specific function of the local government unit.

Special funds are always balanced and cannot have a deficit.

Article 13

Budget year

The budget year, for all general government units, begins on January 1 and ends on December 31 of each year.

CHAPTER III

ROLE AND RESPONSIBILITIES OF BODIES IN THE BUDGETARY PROCESS

Article 14

Powers of the Assembly

The Assembly, by special law, approves the annual budget revenues and funds for central government units, unconditional transfers to local government units and special funds, in order to cover expenses for the exercise of their functions, as well as the sources of financing the budget deficit.

Article 15

Competences of the local government unit council

The council of the local government unit, by special decision, approves the annual budget revenues and funds for the local government units and their special funds, in order to cover expenses for the exercise of their functions, as well as borrowing to finance investment projects.

Article 16

Competences of the Council of Ministers (A

sentence was added to the first paragraph, by Law No. 57/2016, dated 2.6.2016)

The Council of Ministers approves the main directions of the general state policy and, based on them, proposes to the Assembly the annual budget law. The Council of Ministers establishes financial norms and standards for public expenditures, which are mandatory for implementation by all units of general government.

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

Article 17

Competences of the mayor of the local government unit

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

Article 18

First Authorizing Officer (Last

paragraph repealed by Law No. 57/2016, dated 2.6.2016)

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

The Chief Authorizing Officer is responsible to the Minister of Finance for the management of the budget system and public internal financial control, in accordance with this law, the annual budget law and sub-legal acts.

Article 19

Authorizing Officer

(Amended by Law No. 57/2016, dated 2.6.2016)

The authorizing officer, in central government units, is the highest-ranking public administration employee in the civil service. For the Ministry of Finance, the first authorizing officer appoints a high-ranking public administration employee as the authorizing officer. In general government units, which are not part of the executive branch, the authorizing officer is the highest-ranking management employee. The authorizing officer in local government units is the head of the unit, while his deputy is the delegated authorizing officer, if the head decides to delegate this responsibility.

The authorizing officer of the spending unit is the head of this unit. The head of the general government unit notifies the first authorizing officer of the appointment of the authorizing officer of the spending unit. own.

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

The authorizing officer, at the time of appointment, notifies the relevant treasury branch for the filing of the signature, regarding the performance of actions in the treasury.

Responsibilities for financial management include, but are not limited to: a) the preparation, implementation, internal financial control, monitoring, accounting and reporting of the budget of the general government unit; b) ensuring the efficient, effective and economical use of the public resources it manages.

The authorizing officer acts in accordance with the provisions of this law and the sub-legal acts implementing it.

The authorizing officer of central government units and central government special fund units reports and is accountable to the first authorizing officer for the preparation, implementation, public internal financial control, monitoring, reporting and accounting of their budget.

The authorizing officer of the general government unit appoints second-level authorizing officers to the heads of programs, subprograms, of each structure and unit of direct subordination, for which a separate budget is identified. In public units with several levels of spending units, authorizing officers are appointed directly by the superior body and are named, according to the level of subordination, as second-level or third-level authorizing officers.

The authorizing officer of local government units is responsible and reports 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 accordance with the legislation in force.

The authorizing officer of the local government unit and special funds of the local government is responsible and reports to the council of the local government unit for the preparation, implementation, internal public financial control, monitoring, reporting, accounting and internal audit of the budget or special funds, for all functions of the local government units and special funds.

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

Article 20

Enforcement Officer

(Amended by Law No. 57/2016, dated 2.6.2016)

The implementing officer is the head of the structure responsible for finances in the general government unit, who meets the specific employment criteria and covers the areas of responsibility defined in the legislation on financial management and control.

The authorizing officer of the general government unit, of all levels, at the moment of appointing the implementing officer, notifies the first authorizing officer and the relevant treasury branch for the deposit of the signature, regarding the performance of operations in the treasury.

Article 21

Documentation and reporting of orders, contrary to the provisions

An oral or written order of the head or his authorized representative of a general government unit, regulating operational management, issued in violation of the provisions on financial management, addressed to authorizing or implementing officials, shall be objected to in writing by the latter to the issuer of the order or the heads, as the case may be.

The objection is in the form of a written report, which contains: a) explanations of the legal basis for objecting to the order; b) a request for its annulment or confirmation.

In cases where the order is not cancelled but confirmed in writing, the authorizing officer proceeds with the implementation of the order and sends a copy of the objection report to the first authorizing officer, who informs the Minister of Finance. Upon 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 is sent to the Supreme State Audit Office.

The rules described in the first and second paragraphs of this article also apply to the relationships between different levels of authorizing officers and implementing officers.

CHAPTER IV

PREPARATION, REVIEW AND APPROVAL OF THE STATE BUDGET

Article 22

Preparation of the public expenditure management calendar

The Minister of Finance prepares and proposes to the Council of Ministers the public expenditure management calendar, defining in detail the deadlines for the public expenditure management process.

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

Article 23

Macroeconomic and budgetary assessments and forecasts *(Amended by Law No. 57/2016, dated 2.6.2016)*

Within January, the Minister of Finance submits, for review and approval to the Council of Ministers, To the Ministers, the report on macroeconomic assessments and forecasts for:

- a) the two years preceding the budget year; b) the budget year; c) the next three budget years.

This report includes: a) the assumptions and methods used to assess the macroeconomic and fiscal forecast, including the identification and assessment of risks to the sustainability of the country's macroeconomic stability;

- b) the latest assessments of the economic situation, based on official data, as well as a comparison with previous forecasts; c) the forecast for general government revenues, based on existing policies and proposals for new policies or changes to existing ones; d) the forecast for general government expenditures, based on existing policies and proposals for new policies or changes to existing policies; d) the forecast for the general government deficit and its financing, respecting and guaranteeing fiscal discipline and sustainability;
- dh) detailed information on the stock of debt, internal and external, for each sector of general government.

The Council of Ministers approves the macroeconomic assessment and forecast and forwards it to the Assembly by March 10. At the request of the parliamentary committee responsible for public finances, the Minister of Finance may provide explanations before it on the assessments and forecasts approved by the Council of Ministers.

Based on the approved macroeconomic assessments and forecasts, the Minister of Finance prepares the preparatory expenditure ceilings of the medium-term budget program and sends them for review and approval to the Council of Ministers within February.

Article 24

Instructions for preparing the budget *(Amended by Law No. 57/2016, dated 2.6.2016)*

The Minister of Finance, after the approval by the Council of Ministers of the estimates and forecasts macroeconomic and budgetary, within February, approves and sends for implementation to the general government units: 1. The

instruction for the preparation of the central budget, which contains: a) the preparatory ceilings for the expenditures of the medium-term budget program; b) the deadlines for the preparation of the medium-term budget program and the draft budget.

2. The instruction for the preparation of the local budget, which contains: a) unconditional medium-term transfers to local government units; b) rules for the division or delegation of functions between central government units and local government units; c) methods of calculating

unconditional and conditional transfers to local government units; d) deadlines for the preparation of expenditure requests for the medium-term budget program.

Authorizing officers of general government units prepare and submit requests for the medium-term budget program and additional requests, in accordance with the requirements and deadlines provided for in the relevant instructions of the Minister of Finance for budget preparation.

All standard procedures for the preparation of budget requests for the central and local medium-term budget program are approved by a special instruction of the Minister of Finance.

Article 25

Draft medium-term budget program (*Amended by Law No. 57/2016, dated 2.6.2016*)

The Ministry of Finance analyzes and assesses the medium-term budget requirements for each central government unit. This analysis is presented in hearings, which are organized by the Ministry of Finance with each central government unit, according to a predetermined calendar. The Ministry of Finance organizes meetings with local government units on the medium-term budget program.

The budget unit in the Ministry of Finance shall consult with civil society in the budget programming process. After reflecting on the conclusions of the hearings and consultations, the Chief Authorizing Officer shall submit the draft medium-term budget program document to the Minister of Finance. Any proposal for a public investment project with a total value above a certain threshold

shall be subject to a full evaluation process before the start of the budget process. The threshold shall be determined by instruction of the Minister of Finance. The evaluation process shall be carried out by the ministry proposing the investment project, in accordance with the procedures for managing public investments, including the criteria for their priority and selection, which shall be proposed by the Ministry of Finance and approved by decision of the Council of Ministers. The relevant proposal shall be submitted for review to the Ministry of Finance as an integral part of the budget requests within the framework of the medium-term budget program.

The Council of Ministers, within the month of June, approves, by decision, the draft medium-term budget program and the final expenditure ceilings. The Minister of Finance, a copy of the approved medium-term budget program document, sends it for information to the Assembly and, at the request of the parliamentary committee responsible for public finances, provides explanations to the committee for the approved act.

The first authorizing officer, within the month of July, notifies each local government unit and each unit of local government special funds of the transfers from central government units and the share and size of national taxes, allocated in the draft budgets.

Article 26

Medium-term budget program

(Amended by Law No. 57/2016, dated 2.6.2016)

The medium-term budget program reflects the medium-term budget allocations of general government units, which are calculated in accordance with the rules and deadlines provided for in the relevant instruction of the Minister of Finance.

The medium-term budget program contains:

1. A summary of the main macroeconomic and budgetary indicators, which is approved by the Council of Ministers, as part of the medium-term budget program document.
2. A summary report of economic and fiscal policies for the next three years.
3. A detailed report on the budget requests submitted by central government units, within the ceilings approved by decision of the Council of Ministers and on additional requests.
4. All documentation sent by central government units, according to standard formats, which must, at a minimum, contain: program policy goals, program policy objectives, public investment projects, program products and their respective costs.

5. A summary report of the conclusions of the hearings, between the units of central government and civil society, developed within the framework of the preparation of budget requests.

The medium-term budget program document is also accompanied by an annex, which contains: a) the method of calculation and the amount of the unconditional transfer of local government units; b) the amount

and purpose of the conditional transfer that the State Budget provides for local government units; c) national taxes,

shared with local government, and the part allocated for the three years budgetary successor.

Article 27

Supplementary instructions for budget preparation

(Amended first paragraph, by law no. 57/2016, dated 2.6.2016)

After the approval, by the Council of Ministers, of the final expenditure ceilings of medium-term budget program, the Minister of Finance, by July 10, issues:

1. Supplementary instructions for the preparation of the central budget, which include: a) the final ceilings for expenditure of the medium-term budget program, approved by decision of the Council of Ministers; b) the

deadlines for reviewing the expenditure requirements of the medium-term budget program, in basis of final expenditure ceilings.

2. Supplementary guidance for the preparation of the local budget, which includes: a) revised unconditional medium-term transfers to local government units; b) possible revisions of the rules for the division or delegation of functions between central government units and local government units; c) possible revisions of the methods of calculating unconditional and conditional transfers to local government units;

ç) deadlines for reviewing the expenditure requirements of the medium-term budget program.

By September 1 of each year, the authorizing officers of central government units and central government special fund units shall submit to the first authorizing officer the revised requests for the medium-term budget program and additional requests, with the relevant arguments.

Authorizing officers of local government units and special fund units

They shall submit to the relevant council the draft budget for the following budget year, within the deadlines set out in the supplementary instruction.

The budget unit in the ministry responsible for finance, under the direction of the chief authorizing officer, analyses and assesses the revised medium-term budget requests and additional requests and prepares a report with conclusions and recommendations for each central government unit. This report is presented at hearings, which are organized in the ministry responsible for finance with each government unit, according to a predetermined calendar. After reflecting on the conclusions of the hearings, the chief authorizing officer submits the draft revised medium-term budget program document to the Minister of Finance.

Article 28

Revised medium-term budget program

The Minister of Finance shall approve the revised draft medium-term budget program only when the requirements of this program are in accordance with the supplementary instruction for budget preparation. The approved draft shall be submitted to the Council of Ministers, together with the draft law on the annual budget.

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

Article 29

Annual draft budget

(Amended by Law No. 57/2016, dated 2.6.2016)

The Minister of Finance shall submit to the Council of Ministers for approval the annual draft budget, with three-year ceilings, based on the medium-term budget program, together with the revised medium-term budget program, as defined in Article 28 of this law. The annual draft budget shall contain the basic documentation and accompanying documentation as follows:

1. Basic documentation: a)

budgetary funds, foreseen according to the budget programs for each central government unit, for the coming year, divided into current and capital;

b) ceilings for each program, for the second and third years of the MTBP;

c) a summary table of budget revenues and expenditures, by item main ones, for the previous two fiscal years and the next three years;

ç) the number of budget employees, for each central government unit, for the coming year; d) the unconditional transfer for each local government unit, for the coming year, only the total transfer, for the second and third year of the MTBP.

2. Accompanying documentation:

a) detailed information on expenditures, according to budget classifications; b) list of public investment projects, for each program, which contains: i) the full cost of the projects; ii) the value financed by

the end of the previous budget year; iii) the value foreseen to be

financed in the budget year; iv) the remaining value to be financed

in subsequent budget years; v) sources of financing; c) an explanation of the purpose and costs of

quasi-fiscal activities undertaken by

non-general government units, as well as a presentation of tax expenditures;

ç) the list of spending units, according to the general government units to which they depend; d) the main objectives of the programs for each central government unit; dh) the observance and correct implementation of the principles provided for in articles 4 and 4/1 of this

law, in the submitted draft budget; e) projections for public debt and harmonization with fiscal sustainability objectives; ë) fiscal risks and safeguards; f) contingent liabilities of general government and the possibility of their occurrence as liabilities in the following budget year; g) full list of ongoing concession/PPP projects, total contracted value of investment and budgetary implications for each project.

By October 15, the Council of Ministers shall approve, by decision, the annual draft budget and the revised medium-term budget program.

The first authorizing officer, within 10 days, after the approval by the Council of Ministers of the annual budget and the revised medium-term budget program, notifies each local government unit and each unit of local government special funds of the transfers from central government units and the share and size of national taxes allocated in the draft budgets.

By October 20, the Prime Minister, on behalf of the Council of Ministers, shall submit to the Assembly the annual draft budget.

After approval by the Council of Ministers, the Ministry of Finance publishes the full information of the annual draft budget.

Article 30

Approval of the draft law on the annual budget

(Amended by Law No. 57/2016, dated 2.6.2016)

The annual budget draft law is approved by the Assembly, by December 15, according to the definitions in letters "a", "b", "c", "ç" and "d", of point 1, of article 29, of this law.

The Council of Ministers may propose the approval of the annual budget by the Assembly also in more detailed level, in accordance with the 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, is published in the Official Gazette.

In January of each year, after the approval of the annual budget law by the Assembly, the chief authorizing officer reflects the changes in the final document of the medium-term budget program.

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

Article 32

Preparation and approval of local budgets *(Amended by*

Law No. 57/2016, dated 2.6.2016)

Local government units draft and approve the local budget and the medium-term budget program. The procedures and deadlines for drafting the medium-term budget program are determined by instruction of the Minister of Finance.

For functions and competencies that overlap with those of the central government, local government bodies cooperate with ministries and budgetary institutions. The details and manner of cooperation are determined by joint instruction of the Minister of Finance and the Minister responsible for local affairs.

As a rule, within November of the budget year, the heads of local government units

submit budgets to their councils for approval.

The local government council, by December 25, approves the local budget, based on the assessment of revenues and unconditional transfers, as determined in the annual budget law.

Article 33

Publication of local budgets

The budgets of local government units are published in the relevant Public Notices Bulletin 15 days after approval by the councils of the relevant units.

Article 34

Entry into force and implementation of the annual budget law

In the event that the Assembly adopts the annual budget law within the budget year, but the law cannot enter into force on January 1, or the remaining time for completing the procedures for starting the budget implementation is not sufficient, the Minister of Finance issues a special instruction that regulates the budget process until the annual budget law enters into force and the procedures for its implementation are completed.

The special instruction ensures the continuation of the provision of goods and services, including the implementation of investment projects, initiated in the previous budget year, which are expected to continue in that budget year.

Article 35

Provisional budget

In the event that the Assembly does 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, authorizes the implementation of the provisional budget for a period starting from the first day of the budget year until the end of its third month.

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

If the revenues provided by law are insufficient to cover the expenditures foreseen in the provisional budget, the Minister of Finance borrows, each month, up to 1/12 of the total loan used to finance the budget deficit in the previous budget year.

The funds approved in the interim budget ensure: a) the exercise, in accordance with the law, of the functions and responsibilities of general government units; b) the continuity of the provision of goods and services, including the implementation of investment projects, initiated in the State Budget of the previous budget year and expected to continue in the budget year.

Article 36

Budget after the interim budget period

The Prime Minister, during the interim budget period, presents the draft budget to the Assembly, through an expedited procedure, for its approval by the last day of the interim budget period.

In case of non-approval of the draft budget within the interim budget period,

The Council of Ministers, by decision, authorizes the execution of budget expenditures for each program, of each unit of general government, to the extent that does not exceed 1/12 of the actual expenditures 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 paragraphs of Article 35 of this law may also be applied in the period after the interim budget.

Article 37

Temporary local budgets (*Amended by
Law No. 57/2016, dated 2.6.2016*)

In case of non-approval, by the council of the local government unit, of the local budget, until the first day of the budget year, the mayor of the local government unit authorizes to be carried out, each month, expenses up to 1/12 of the actual expenses of the local budget (from unconditional transfers and the local unit's own revenues) in the previous budget year, to ensure the continuation of the provision of goods and services, including the implementation of investment projects, started in the previous budget year and continuing in the budget year. Funds from conditional transfers, grants or specific projects are financed in full, according to the destination of the institution that grants them.

CHAPTER V
BUDGET IMPLEMENTATION

Article 38

Budget implementation guide

The Minister of Finance issues an instruction for budget implementation, which defines the rules, procedures and deadlines that must be met by the authorized and implementing officials of all levels in the process of budget implementation. This instruction is in the form of a permanent instruction or is prepared and approved for each budget year. In cases where the instruction is permanent, a supplementary instruction is approved for each budget year, which defines the rules, procedures and deadlines specific or not specified in the permanent instruction, for the implementation of the State Budget. The instruction, which is prepared for each budget year, must be approved and enter into force before the start of the budget year and, in the event of late adoption of the annual budget law, no later than 10 days after the entry into force of the annual budget law.

Article 39

Collection and storage of public funds

The revenues approved in the annual budget law constitute the minimum limit to be collected during the budget year.

The general government units charged with collecting them are responsible for the timely collection of these revenues.

All monetary funds collected by general government units shall, immediately upon receipt, be deposited in the treasury accounts, in accordance with the rules and procedures set forth in Article 8 of this Law. The same rules and procedures shall be mandatory for all revenues collected during the budget year, regardless of whether they have been provided for and approved in the annual budget law or the budget approval decision of the local government unit council.

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

Revenues collected in treasury accounts are recorded and reported as revenue. that 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, are inherited in the following budget year.

Article 40

The right to incur expenses *(Amended by Law No. 57/2016, dated 2.6.2016)*

As a rule, the right to make expenditures, within the limit of the approved funds, expires on the last day of the budget year, regardless of whether the one-year or multi-year contract can be continued in the following budget year. For local unit funds, from unconditional transfers or local revenues, the right to make expenditures is in accordance with the provisions of the relevant law on local self-government.

The Minister of Finance establishes a system of rules and procedures to control that multi-year commitments to be within the three-year ceilings approved in the annual budget law.

For multi-year budgetary commitments related to new public investment projects, during the first year of their implementation, it is not permitted to allocate less than 20 percent of the full value of the relevant project to the budget of the relevant general government unit.

Every general government unit is obliged, before starting a procurement procedure, whether one or many years, to obtain confirmation from the Ministry of Finance that the funds intended to be procured are within the approved commitment limit. General government units that operate directly in the Government's financial information system for the execution of their budget and financial reporting shall register the commitment in this system, within five working days from the date of its signing, against the procurement order.

The determination of three-year commitment limits for each general government unit is made in accordance with the principle of public debt sustainability. The commitment limit for local government units is determined by decision of the local unit council and is registered in the Government's financial information system.

Article 41

Information on funds approved by the Assembly *(Amended by Law No. 57/2016, dated 2.6.2016)*

Within 10 days from the publication in the Official Gazette of the annual budget law, the first authorizing officer informs, in writing, the authorizing officers of each general government unit of the funds approved by the Assembly in the annual budget law.

Article 42

Distribution of budget funds

The First Authorizing Officer proposes to the Minister of Finance that the distribution of budgetary funds to general government units, for programs and expenditure items, may be less than the total funds approved by the Assembly for those units and for periods of less than 1 year.

The distribution of budget funds is based on the forecast of cash inflows and commitments and should ensure an efficient use of financial resources, as well as maintain macroeconomic and fiscal stability.

After approval by the Minister of Finance, the first authorizing officer informs, in writing,

the authorizing officer of each central government unit for the distribution of budgetary funds, according to budgetary classification, within 10 days from the enactment of the annual budget law by the President.

At the same time, the first authorizing officer informs, in writing, the local government units about the distribution of funds for unconditional transfers.

Authority of the Minister of Finance for the distribution of budgetary funds and funds Special appropriations from funds approved by the Assembly expire at the end of the budget year.

Article 43

Detailing of budget funds

Authorizing officers detail the funds for the general government spending units, in accordance with the allocation of budgetary funds, approved by the Minister of Finance and the priorities of the general government units.

Authorizing officers of central government units submit to the first authorizing officer the proposal for the detailing of budget funds, distributed to each spending unit in accordance with the budget implementation instruction.

The first authorizing officer approves the breakdown of budgetary funds distributed for each spending unit and is responsible for ensuring that this is reflected in the treasury system in a timely manner.

After approving the breakdown of budget funds distributed to each spending unit, the authorizing officers of general government units make commitments and make payments, within the limits and deadlines set.

Article 44

Redistribution of budget funds

The rights and limits for the redistribution of previously distributed and detailed funds, when the budget is approved at the program level by the Assembly, according to Article 30 of this law, are as follows: For central government units: a) redistributions of funds

between programs, within the same central government unit and for different central government units, are approved by the Council of Ministers and do not exceed 10 percent of the total of the approved program;

b) redistributions of investment project funds within the same program central government unit are approved by the Minister of Finance;

c) redistributions between items of current expenditure within the same program shall be approved by the first authorizing officer; d) redistributions within

the same program and item of current expenditure between different spending units shall be approved by the authorizing officer of the central government unit to which the spending unit depends.

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

redistributions between programs are approved by the local government unit council; b) redistributions of investment

projects, within the same program, are approved by the head of the local government unit; c) redistributions between current expenditure items, within

the same program, are approved by the head of the local government unit; ç) redistributions within the same program and current expenditure item, between different

spending units, are approved by the authorizing officer of the local government unit, to which the spending unit depends.

Authorizing officers who seek to carry out redistribution, according to the first paragraph of this article, letters "a", "b" and "c", submit to the first authorizing officer, in writing:

a) the reasons for the redistribution; b) the extent of the redistribution; c) the changes in the distribution of funds required by the redistribution of budgetary funds.

For redistributions made according to the first paragraph of this article, letter "ç", the authorizing officers of the central government units shall notify the first authorizing officer at the end of the month during which the decision on the redistribution was made.

Authorizing officers who seek to carry out redistribution, according to the second paragraph of this article, letters "a", "b" and "c", shall notify the local government unit council, in writing, of:

a) the reasons for the redistribution; b) the extent of the redistribution; c) the changes in the distribution of funds required by the redistribution of budgetary funds.

The first authorizing officer shall ensure that the approved redistributions, according to the first paragraph, of this article, to be reflected in the treasury system.

Authorizing officers of local government units, after approval by the local government unit council, officially notify the treasury system of redistributions, which ensures timely reflection.

In cases of budget approval by the Assembly at a more detailed level than that of the program, according to Article 30 of this law, the rights and limits for the redistribution of funds, distributed and detailed, are determined in the annual budget law.

Article 45

Requests for additional funds

Authorizing officers of central government units submit to the first authorizing officer a request for additional funds to cover unforeseen expenses at the time of budget preparation and that cannot be carried over to the following budget year.

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

The request for additional funds is accompanied by the justification for submitting the request, Argued: a) the

reasons for not planning at the time of budget preparation; b) the products that will benefit from the activities that will be financed by the additional requests; c) the contribution to the goals and objectives of the policies; d) other items of approved budget funds that may be reduced to provide the necessary funds, as well as the consequences that such a reduction would have on the achievement of other objectives.

The first authorizing officer reviews requests for additional funds from central government units and recommends to the Minister of Finance the rejection or acceptance of substantiated requests for additional funds.

If the request for additional funds is met, respecting the rights and limits set forth in the first paragraph of Article 44 of this law, then their proposal and approval shall be made in accordance with the provisions set forth in this Article.

If the request for additional funds cannot be met, respecting the rights and limits set out in Article 44 of this law, then the Minister of Finance may propose to the Council of Ministers its completion, through the use of the State Budget reserve fund.

The Minister of Finance shall periodically inform the Assembly, in writing, of the requests

for additional funds, approved by the Council of Ministers, through the use of the State Budget reserve fund and, based on the request made by the chairman of the parliamentary committee responsible for public finances, answers questions from this committee on this issue.

Authorizing officers of local government units review requests for additional funds from spending units and provide their recommendations to the council of the respective unit for rejection or acceptance of the request.

If the request for additional funds is met, respecting the rights and limits set forth in the second paragraph of Article 44 of this law, then their proposal and approval shall be made in accordance with the provisions set forth in this Article.

If the request for additional funds cannot be met, respecting the rights and limits set forth in Article 44 of this law, then the mayor of the local government unit may propose to the relevant council that it be met, through the use of the local government unit's reserve fund.

Article 46

Budget implementation review

(Amended first paragraph by law no. 57/2016, dated 2.6.2016)

In June of each year, but no later than the day of submission of the medium-term budget program to the Council of Ministers, the Minister of Finance shall submit to the Council of Ministers the medium-term budget program and a report on the implementation of the budget for the following year, which shall be published. This report shall contain: a) a general

assessment of the country's economic situation, of the macroeconomic, fiscal and budgetary indicators for the 5-month period of the current year; b) an expected assessment of the

macroeconomic, fiscal and budgetary indicators until the end of the current year; c) the measures envisaged to be

undertaken by the Government, in order for the indicators to be achieved according to predictions;

ç) the proposal of the Minister of Finance for the revision or not of the budget.

In the event that the Council of Ministers decides to amend the annual budget law, the procedure for amending it is the same as the procedures set out in Article 29 of this law, for the approval of the proposed State Budget.

If the amendments are not approved within July, then the proposal to amend the annual budget law is voted on through an accelerated procedure.

Article 47

Review of local budget implementation

The head of the local government unit shall conduct a full analysis of the implementation of the budget within the month of June of each year and, if necessary, also make relevant proposals for amending the decision of the local government unit council that approved the annual budget. The procedure for reviewing, approving and implementing amendments to the decision of the local government unit council is the same as that of the decision for approving the annual budget.

Article 48

Deadline for redistribution of budget funds

The right of general government units to redistribute funds, approved for the budget year, is exercised until November 15 of each budget year.

Article 49

Budget cash flow plan

Each general government unit prepares a cash plan, based on the funds approved for the budget year.

The first draft of the cash plan is deposited with the ministry responsible for finance, together with the annual draft budget and includes: a) the flow of revenues, anticipated to be collected and other receipts; b) the procurement plan and other planned commitments; c) the anticipated payments, deriving from the commitments.

After the approval of the draft budget by the Council of Ministers, the central government units shall revise the cash plan, divided into months or for other periods of time, as defined in the budget implementation instruction. The revised plan shall be submitted for review and approval to the first authorizing officer, within 10 days after the issuance of the decision of the Council of Ministers on the approval of the draft budget.

The Chief Authorizing Officer shall approve the treasury plans of central government units and unconditional transfers of local government units immediately after the President has enacted the annual budget law. This approval shall be based on the review of the revised treasury plans and shall respect: a) the annual limit of approved funds; b) governance policies; c) best financial practices; d) the effects on liquidity management.

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

The treasury system controls the commitments, expenditure execution and liquidity surpluses of the general government against the allocated budget and cash plan funds and plans the issuance of short-term or long-term debt to ensure sufficient liquidity to liquidate the financial obligations of the general government.

The Chief Authorizing Officer, with or without a proposal from the Authorizing Officers of the general government units, reviews the cash plan during the budget year, based on continuous monitoring of the implementation of the cash plan and liquidity management policies.

The authorizing officer is responsible for adhering to the approved cash plan and for justifying any revision or non-implementation thereof, according to the criteria established in the budget implementation instruction.

Article 50

Budget commitments

The Minister of Finance approves instructions for authorizing officers on the procedures for recording commitments.

Authorizing officers of general government units maintain records of financial commitments and do not allow new commitments to be undertaken beyond the limits of allocated budgetary funds.

For expenses covered by loans in the annual State Budget law and in the decision of the local government unit council, the first authorizing officer, through the treasury system, does not allow the assumption of commitments and the making of payments until the lender transfers the borrowed funds to the treasury account.

Exceptionally, the principal authorizing officer shall authorize the undertaking of commitments or the execution of expenditures against expected disbursements from loans signed only in

cases where their non-performance or postponement would have serious consequences for the achievement of the goals of general governance. In this case, the undertaking of commitments or the execution of expenditures shall be done in accordance with the balance of cash in the treasury accounts and within the approved limit of the annual budget deficit.

Article 51

Management of commitments (A

sentence added to the third paragraph by Law No. 57/2016, dated 2.6.2016)

Monetary assets, created based on commitments of the current year and unpaid at the end of the budget year, are carried over to the following budget year, according to the period specified in the annual budget law, except in cases where the commitment has been canceled or has become inactive, according to the criteria specified in the budget implementation instruction.

Monetary funds, related to commitments from previous years, that are canceled during the budget year, are returned to the treasury's single account for inclusion in the following year's budget. Commitments cancelled during the same budget year may 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 outside the funds provided for in the annual budget law and in the decision of the local government unit council on the budget or in violation of this act or other legal acts, are not included as part of the financial obligations of the general government. The authorizing officer of the general government unit may undertake new commitments during the budget year, but no later than October 15 of each budget year.

When the authorizing officer of the general government unit undertakes commitments outside the funds provided for in the budget or in violation of this act or other legal acts, he or she is responsible for the repayment of the obligation.

Article 52

Incurring expenses (Added

a paragraph, after the second paragraph, by Law No. 57/2016, dated 2.6.2016)

Process and responsibilities for authorizing and executing public expenditures are defined in the law on public internal financial control.

The expenditures of general government units are verified based on complete documentation, which proves the execution of the relevant expenditure, according to the law on public internal financial control.

The implementing officers of the general government spending units submit to the responsible treasury structure the documentation justifying the expenses in cases of payments to economic operators, within 30 days from the date of the economic operator's original invoice.

Expenditures are incurred only if the amount of expenditure does not exceed the funds committed for this purpose.

Expenditures resulting from commitments undertaken during previous years, in accordance with the special provisions of the annual budget law, are included in the budget of the following year.

Expenditures of approved State Budget and local budget funds are realized by the end of the budget year.

The repayment of commitments, upon the expiry of the deadline provided for in the paragraph above, shall be carried out with the funds approved for the following budget year, except in cases where the expenditure has been made before the end of the budget year. In this case, the payment shall be made by 31 January of the following budget year. This period shall serve for the preparation of the basic documentation and for the payment.

Article 53

Reimbursement of expenses

(Amended by Law No. 57/2016, dated 2.6.2016)

If during the current budget year the general government spending unit receives a refund for an amount that was paid in that budget year or in previous budget years, then the refund is treated as a receipt in the current budget year.

Expenses paid during the current year and reimbursed during the same year are corrected with the budget structure, in which the respective collected reimbursement is distributed.

Funds released from the correction in the initial budget structure can be used for making other expenditures, in accordance with the objectives of the spending unit.

Article 54

Making payments

(Amended by Law No. 57/2016, dated 2.6.2016)

The financial commitments and obligations of general government units are paid only from the unified treasury account, through the Government's financial information system, by designated persons according to the criteria set out in the law on financial management and control.

The authorizing officer of the general government spending units, which are direct users of the Government's financial information system, approves the transactions recorded by the unit's implementing officer within 5 days from the date of their registration in the system.

If the beneficiary is an entity that operates with the treasury system, then the transaction is processed through accounting in the system, without any cash movements affecting the unified treasury account.

Expense transactions arising from financial commitments are processed in accordance with purchase orders previously recorded in the treasury system.

The right to make payments for financial obligations, established by December 31 of the previous year, expires at the end of January of the following year, regardless of whether the financial obligation is presented in the treasury system in the following budget year, respecting the deadlines set by the legislation in force for late payments in contractual and commercial obligations.

Payments made during the budget year, regardless of the time of ascertainment of the financial obligation, are recorded as payments of this year.

Payments returned on account of financial obligations of the previous year, which will not be repaid, will be treated as collections in the fiscal year.

Article 55

Closing the budget

The annual budget is implemented until December 31 of the budget year.

Article 56

Account closure report

The Chief Authorizing Officer prepares a report for the Minister of Finance on the closure of the cash accounts and the consolidated annual budget, by the last day of February.

CHAPTER VI
BORROWINGS AND GUARANTEES IN THE PUBLIC SECTOR

Article 57

Authority to borrow *(Amended by
Law No. 57/2016, dated 2.6.2016)*

The Minister of Finance, on behalf of the Council of Ministers or the Republic of Albania, is the only authority, at central level, that has the right to borrow, on behalf of the Republic of Albania or the Council of Ministers of the Republic of Albania, through financial instruments and bilateral or multilateral agreements, to finance the state budget deficit, temporary lack of liquidity, refinancing of state debt, to pay state guarantees, the cost of issuing state debt, to cover the cost caused by natural disasters, as well as for financing projects, in accordance with the constitutional provisions and the laws in force. He is the only authority that grants state loan guarantees.

The Minister of Finance is the authority that negotiates and decides on the essential terms of loan agreements and signs these agreements, on behalf of the Republic of Albania or the Council of Ministers.

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

The Minister of Finance is the authority that has the right to obtain loans, within the limits set in the annual budget law, from legal entities and/or individuals.

The council of the local government unit is the authority that has the right to borrow and provide guarantees, both domestically and internationally, for local loans.

Long-term domestic loans and guarantees are approved in advance by the Minister of Finance, regarding its procedures, limits and effects.

Article 58

Public debt limits *(Last*

paragraph repealed by Law No. 114/2012, dated 7.12.2012, article amended by Law No. 57/2016, dated 2.6.2016)

Public debt consists of central government debt, state loan guarantees and debt of local government. The annual budget law sets the limit for:

- a) new central government debt to be taken out in the budget year; b) total central government debt; c) new guarantees to be issued during the budget year by the central government;
- d) total amount of central government guarantees; d) debt issued to cover central bank losses from currency revaluation.

Local government units borrow and issue guarantees in cases where: a) the ratio of the operating surplus of the previous fiscal year (calculated as the difference between operating revenues, from own sources, allocated taxes and unconditional transfers and the non-conditional operating expenses of the local government unit) to the debt service, which must be paid annually for the long-term debt, is not less than

1.4:1; b) the ratio of the debt stock to total operating revenues (from own sources, allocated taxes and unconditional transfers) is not more than 1.3:1;

c) the maximum annual debt service limit to average revenues (unconditional transfers, separate taxes and levies, and local taxes and fees) of the three preceding fiscal years of the local government unit does not exceed 20 percent.

Article 59

Loan data management

(Amended by Law No. 57/2016, dated 2.6.2016)

The Minister of Finance is responsible for recording, registering and managing all central government loans and state guarantees in the public debt register.

The Minister of Finance is responsible for recording and registering all domestic loans and domestic guarantees in the public debt register.

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

Article 60

Debt service

For debt service purposes, any amount of interest and principal on the public debt and its guarantee is carried out through the unified treasury account.

For debt service needs, the necessary liquidity must be ensured, in order to repay obligations, in accordance with the terms and conditions contracted for such obligations.

CHAPTER VII

BUDGET SYSTEM ACCOUNTING

Article 61

Accounting standards and procedures *(Amended by Law No. 57/2016, dated 2.6.2016)*

The Minister of Finance is responsible for establishing the accounting system, mandatory for all general government units.

The Ministry of Finance drafts public accounting and reporting standards, in accordance with accepted international standards, bylaws and methodology in the field of public accounting, which are approved by the Public Internal Financial Control Board.

The duties, composition and manner of functioning of the Public Internal Financial Control Board are defined in the law on financial management and control. The Public Internal Financial Control Board, in reviewing public accounting issues, invites representatives from the Supreme State Audit Office, as the institution responsible for auditing the annual financial statements of general government units, to participate as observers in the meeting.

The Public Internal Financial Control Board, when reviewing standards, bylaws and methodology in the field of public accounting, should analyze the possibilities and conditions for their implementation in practice.

The treasury system is responsible for maintaining state accounts and preparing periodic and annual budget implementation reports, as well as preparing annual financial statements of general government.

The chief authorizing officer and the authorizing officers of general government units are responsible for the functioning and implementation of the accounting system, in accordance with this law and other acts in its implementation, issued by the Minister of Finance.

The method of recognizing expenses and revenues, for the purpose of this law, concerns: a) recognizing the expenses of the budget year at the time of their occurrence, regardless of the date of payment; b) recognizing revenues at the time of their collection.

Article 62

Preparation of annual budget accounts

The Minister of Finance issues instructions for all authorizing officials of central and local government units and special funds on the closing of the budget year and the publication of financial statements.

Authorizing officers of general government units, at the end of the year, deposit financial reports in the treasury system, according to the determinations of the first authorizing officer, for the preparation of the annual financial statements of general government.

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

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

Article 63

Approval of the consolidated annual budget implementation report *(Amended by Law No. 57/2016, dated 2.6.2016)*

The Council of Ministers, within the month of June, approves and forwards to the Assembly the annual consolidated report on the implementation of the budget,

which contains: a) the annual consolidated statements on the financial transactions of the state; b) the report on the implementation of the annual budget, at the level of the approved funds and the objectives achieved; c) the report on the public debt and its composition; ç) the report on the use of the reserve and contingency fund; d) the report on the situation of public internal financial control in general government units; dh) any other financial reporting required by the Public Internal Financial Control Board.

The consolidated annual budget implementation report, approved by the Council of Ministers, is published by the Ministry of Finance within June of each year.

The Supreme State Audit Office reviews and certifies the annual consolidated statements of the state's financial transactions and presents to the Assembly a full report on the implementation of the budget of the previous fiscal year.

The Minister of Finance, during the process of reviewing the annual consolidated budget implementation report by the Assembly, reports in detail to the latter regarding the level of realization of available budget funds and the objectives targeted by the previous annual budget law.

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

Article 64

Archiving financial data

The authorizing officer of general government units is responsible for maintaining and archiving of financial documents, in accordance with applicable legal provisions.

The Minister of Finance issues instructions for the implementation of the legal provisions in force for the preservation of and archiving financial data.

CHAPTER VIII

MONITORING, AUDIT OF THE BUDGET SYSTEM AND INSPECTION

Article 65

Monitoring

(Amended by Law No. 57/2016, dated 2.6.2016)

Authorizing officers of central government units shall submit, whenever requested, but not less than three times a year, to the first authorizing officer, budget implementation monitoring reports on financial performance, outputs and policy objectives, achieved for each program defined in the first year of the final medium-term budget program document. For local government units, these reports shall be submitted to the relevant council.

The form, content and deadlines of monitoring reports are determined in the instruction of Minister of Finance.

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

The mayor of the local government unit shall submit a copy of the local government unit's budget monitoring and implementation report to the relevant council for information.

Budget monitoring and implementation reports are published by the authorizing officer on the official website of the relevant ministry, within one month after the end of the reporting period. The comments of the ministry responsible for finance are published by the first authorizing officer on its official website.

The Minister of Finance, whenever requested, presents to the relevant parliamentary committee periodic reports, financial statements and the annual report on the implementation of the budget in the Republic of Albania. At the request of the committee, he also reports during the year on other issues related to the implementation of the budget and public internal financial control.

Article 66

Public internal financial control *(Amended by Law No. 57/2016, dated 2.6.2016)*

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

control system, an area which, in the public sector, is regulated by a special law; b) the decentralized function of internal

audit, as a functionally independent activity, reporting directly to the head of the public unit. Internal audit in the public sector is regulated by a special law; c) the responsible harmonization structure in the Ministry of Finance, for the harmonization and coordination of the implementation and functioning of public internal financial control systems.

All general government units are responsible for establishing a sustainable financial management and control system and an independent audit function.

internal.

Article 67

Financial management and control

Financial management and control define managerial accountability for planning, implementing and controlling the budget, accounting and reporting, to achieve objectives and avoid waste, misuse and theft of assets.

Financial management and control in the public sector are regulated by a separate law.

Article 68

Internal audit

Internal audit, as a service for the function of the authorizing officers of general government units, reasonably ensures that public resources at the disposal of the general government unit: a) have been spent, documented and reported, based on

reliable and timely information; b) have contributed maximally to the achievement of policy goals and objectives; c)

have been used efficiently, economically and effectively; d) have not been stolen, misused or wasted.

All general government units and commercial companies, where the state owns over 50 percent of the capital, that benefit from public funds, regardless of the form of organization, are subject to internal audit.

The decentralized internal audit unit in each general government unit reports to the authorizing officer and is independent in the performance of its audit function, both functionally and organizationally. It is not part of the operational structures.

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

Article 69

Financial Inspection

(Amended by Law No. 57/2016, dated 2.6.2016)

Any irregularities, serious financial mismanagement, undertaking of commitments outside of the funds foreseen in the budget or payments in violation of the laws and regulations in force constitute elements for initiating public financial inspection.

The principles, rules, procedures, and duties and responsibilities of the structures involved in the public financial inspection process are regulated by a separate law.

Article 70

External audit

General government units are subject, without any restrictions, to audit by external audit, which is carried out by the Supreme State Audit Office.

CHAPTER IX

VIOLATIONS AND SANCTIONS

Article 71

Administrative Offenses (Added

letters "f", "g" and "gj" by Law No. 57/2016, dated 2.6.2016)

Any violation of the obligations set forth in this law, when it does not constitute a criminal offense, constitutes an administrative offense and is punishable by a fine as

follows: a) when the authorizing officer and/or the implementing officer of a spending unit of a general government unit use public money for unapproved purposes, they are punished by a fine by the first authorizing officer, which varies from 5-7 monthly salaries;

b) when the authorizing officer of a spending unit of a general government unit undertakes commitments without having the funds available, in violation of Article 50 of this law, he shall be punished with a fine by the first authorizing officer in the amount of 7 monthly salaries; c) when the

authorizing officer and/or the implementing officer of a spending unit of a general government unit or the treasury officer allow the exceeding of the allocated budgetary funds, in violation of Article 42 of this law, or make payments that exceed the committed funds in violation of Article 54 of this law, he shall be punished with a fine by the first authorizing officer, which varies from 3-7 monthly salaries;

ç) when the authorizing official of the local government unit borrows or issues guarantees not in accordance with the second paragraph of Article 58 of this law, he/she shall be punished with a fine by the first authorizing official, which varies from 5-7 monthly salaries;

d) when the authorizing officer of the general government unit fails to submit on time and according to the requirements, in violation of Articles 24 and 27 of this law, the requests and additional requests of the medium-term budget program, he shall be punished by the first authorizing officer with an administrative measure or a fine in the amount of 1-3 monthly salaries;

dh) when the implementing officer does not implement the cash plan, in violation of the last paragraph of Article 49 of this law, he shall be punished by the first authorizing officer with an administrative measure or a fine in the amount of 1-3 monthly salaries.

e) when the authorizing officer and/or the implementing officer of the general government unit do not fulfill the obligations for closing the budget year and issuing the annual budget accounts, in violation of Article 62 of this law, they shall be punished by the first authorizing officer with an administrative measure or a fine in the amount of 1-3 monthly salaries. ë) when the implementing officer of the general

government unit makes accounting entries without the legal documentation justifying economic events and transactions, he shall be punished by the first authorizing officer with an administrative measure or a fine in the amount of 1-3 monthly salaries. f) when the authorizing officer of the general government unit does not respect

the deadlines set out in Article 40 of this law for the registration of multi-year budget commitments in the Government's financial information system, he shall be fined by the first authorizing officer in the amount of 1 to 3 monthly salaries; g) when the implementing officer of the general government unit does not respect the deadlines set

out in Article 40 of this law defined in Article 52 of this Law, regarding the documentation justifying expenses in cases of payments to economic operators, he shall be fined by the first authorizing officer, in the amount of 3 to 7 monthly salaries; gj) when the authorizing

officer of the general government unit does not respect the deadlines defined in Article 54 of this Law, regarding the approval of transactions registered by the implementing officer of the unit in the Government's financial information system, he shall be fined by the first authorizing officer, in the amount of 3 to 7 monthly salaries.

Article 72

Appealing decisions

For decisions to impose punitive sanctions for violations, an appeal is made to the Minister of Finance, against the decision of the first authorizing officer who issued it, within the deadlines set forth in the Code of Administrative Procedure.

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

CHAPTER X

FINAL AND TRANSITIONAL PROVISIONS

Article 73

Issuance of by-laws

The Council of Ministers is charged with issuing sub-legal acts, in implementation of articles 25, 28, 29, 35, 36, 39 and 63, according to the deadlines set out in this law.

The Minister of Finance is hereby charged with issuing the sub-legal acts implementing Articles 24, 27, 34, 38, 61, 62 and 64, according to the deadlines set forth in this law.

Article 74

Transitional provisions

(Last paragraph added by normative act no. 25, dated 22.6.2021)

The heads of central government units, if they deem it reasonable, may perform the functions of the first authorizing officer or authorizing officers for a period not exceeding 3 years after the entry into force of this law.

Internal audit units shall report to the heads of general government units for a period not exceeding 3 years after the entry into force of this law or until the day when the first authorizing officer or authorizing officers of general government units exercise their functions in accordance with Articles 18 and 19 of this law.

Sub-legal acts that conflict with this law shall be implemented to the extent that they are in accordance with it, until their amendment, but no later than 1 year from the date of entry into force of this law.

Exceptionally, for 2021, the established fiscal principles and rules do not apply in points 1, 2, 3 and 4 of Article 4/1 of this law.

Article 75

repeal

Law no. 8379, dated 29.7.1998 "On the drafting and implementation of the State Budget of the Republic of Albania", as amended, as well as any other legal and sub-legal act that conflicts with this law, are repealed.

Article 76

Entry into force

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

Promulgated by decree no. 5799, dated 10.7.2008 of the President of the Republic of Albania, Bamir Topi

