

**REPUBLIC OF ALBANIA  
MINISTRY OF FINANCE  
CENTRAL HARMONIZATION UNIT ON  
FINANCIAL MANAGEMENT AND CONTROL**

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**INSTRUCTION**

**No. 2, dated 06.02.2012**

**“On Standard Procedures on Implementation of Budget”**

In reliance of point 4 of Article 104 of the Constitution of the Republic of Albania, Article 38 of the Law No. 9936, dated 26.6.2008, “On Management of Budgetary System in the Republic of Albania” and in pursuance of letter “ç” of Article 6 and Article 16 of the Law No. 10296, dated 08.07.2010, “On Financial Management and Control”, the Minister of Finance

**INSTRUCTS:**

**I. General Provisions**

1. This aims to establish the rules, procedures, and deadlines to be utilized by general government units in the process of budget implementation in the framework of improving the financial management and control system and increase of transparency in the use of public funds.
2. This instruction serves as a permanent guideline together with the graphic presentations in the form of standard audit trails<sup>1</sup> on documentation of the process of budget implementation. In pursuance of the Law No. 9936, dated 26.6.2008, “On Management of Budgetary System in the Republic of Albania” and permanent instruction, the Minister of Finance shall issue annual instructions on enforcement of specific rules and temporary policies as adopted on annual laws of budget.
3. General government units are made up of central government units, local government units, and special fund units created by them on special laws.<sup>2</sup> The above terms as used in this instruction shall refer to the central entity of the public unit and subordinate spending units taken as a whole. The terms “all levels of unit” or “every level of unit” in this manual shall refer to central entity and each and every subordinate unit considered separately.
4. The budgetary year starts on January 1 and ends on December 31. The annual budget includes the state budget, the local budget and special funds.
5. The general government units are obligated to take all necessary measures on administration, management of risks, registration, accounting, execution, and reporting of inflows and outflows of general government unit intended for an economic, efficient and effective use of public funds. Each and every transaction connected with public spending shall be processed on the basis of at least three control (signatory) levels, respectively of

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<sup>1</sup> The definition of audit trail is given in paragraph 19 of Article 4 of the Law No. 10296, dated 8.7.2010, “On Financial Management and Control”.

<sup>2</sup> The definitions are given in Article 3 of the Law No. 9936, dated 26.6.2008, “On Management of Budgetary System in the Republic of Albania” and in Article 4 of the Law No. 10296, “On Financial Management and Control”.

the applicant of the expenditure, executive officer and authorizing officer of each level of public unit.

6. The procedures of implementation of budgetary funds are evidenced in the government's financial information system administered by the Ministry of Finance according to a double check (signatory) system for each financial transaction. Payments from public funds are made on the basis of a chronological registration of orders for expenditures by the general government units in the government's financial information system, in accordance with the "first come, first served" principle.

### **Responsibility of the Minister of Finance in the Course of Budget Implementation**

7. The Minister of Finance is the responsible authority for drafting and adopting a system of rules, standards, and procedures that ensure an economic, efficient, and effective administration of public financial resources.
8. Upon proposal of the principal authorizing officer, the Minister approves allocation of budgetary funds to general government units on programs and items of expenditures at a lower level than the total of funds approved by the Parliament for those units and for periods of shorter than 1 budgetary year. The Minister of Finance's authority on allocation of budgetary funds and special funds from the funds approved by the Parliament expires at the end of the budgetary year.
9. The Minister of Finance approves reallocation of funds of investment projects within the same program of the unit of the central government.
10. He/she approves or refuses the requests for additional funds, on the basis of recommendation from the principal authorizing officer, who reviews the requests for additional funding of central government units.
11. In case the request for additional funds is accepted by the Minister of Finance, but this request cannot be fulfilled, in compliance with the rights and limits set forth in Article 44 of the Law No. 9936, the Minister of Finance may propose to the Council of Ministers its fulfillment by using the reserve fund of the State Budget.
12. In consideration of the request made by the Head of the Parliamentary Committee responsible for public finances, the Minister of Finance provides written notice to the Parliament for additional funds, as approved by the Council of Ministers by using the reserve fund of the state budget.
13. The Minister presents to the Council of Ministers an analysis on implementation of budget of the current year, in the month of June of every year but not later than the day of the presentation of midterm budgetary program to the Council of Ministers. He/she represents the Council of Ministers in loan agreements and international state pledges, and is the only authority entitled to borrow from legal and/or physical entities within the limits established in the annual budgetary law.
14. The Minister of Finance is the authority that issues debt instruments and negotiates the state loan agreements and state debt guarantees. He/she chooses the types, characteristics and conditions of financial instruments. In cases of monetary implications, the Bank of Albania shall be asked an opinion beforehand. He/she preliminarily approves the annual limit of long-term local loan, depending on the level of stock and public debt.
15. Within the month of May, the Minister of Finance submits for approval to the Council of Ministers the consolidated annual report on budget implementation, accompanying it with information of accomplishment of objectives as well as the statement and annual report on quality and functioning of internal financial management control for the preceding year, including important findings and recommendations on improvement of the system. A

copy of this report is submitted to the Supreme State Audit, which audits the annual budget accounts.

16. In consideration of the level of performance by the general government units in terms of quality of internal financial management control and efficient and effective use of public funds, the Minister of Finance orders additional financial controls or promotes/accelerates the approval procedures for special units during the process of budget implementation to the extent of authority allowed by the applicable legislation. The performance shall be evaluated on the basis of budget monitoring reports, financial management system monitoring reports, treasury system reports, internal audit reports, Supreme State Audit reports, and public financial inspection reports. Indicators considered in the evaluation of performance shall be stipulated in the Instruction of the Minister of Finance on monitoring of general government units.
17. In case of complaints, the Minister may decide to leave in effect or repeal punitive sanctions on violations as imposed by the principal authorizing officer within the time limits laid down in the Administrative Procedures Code.<sup>3</sup>

### **Responsibilities of Principal Authorizing Officer in the Course of Budget Implementation**

18. The General Secretary of the Ministry of Finance is the principal authorizing officer for the budget of central government units, for special funds of central government, and transfers to local government units.
19. The Principal Authorizing Officer reports to the Minister of Finance on management of budgetary system and public financial internal control of the general government units.
20. The Principal Authorizing Officer approves the breakdown of budgetary funds, allocated to each spending units, and the cash flow and makes sure that they are timely reflected in the financial information system of the government.
21. The Principal Authorizing Officer approves reallocation among line items of current expenses within the same program.
22. The Principal Authorizing Officer reviews the requests for additional funds submitted by central government entities and provides recommendations to the Minister of Finance on the approval or refusal of the requests for additional funds as elaborated by these entities.
23. For expenses funded with loans as provided for in the annual state budget law and in the decision of the local governance council, the Principal Authorizing Officer does not permit, through the treasury system, commitments and payments to be undertaken until the lender has transferred the loan to the respective treasury account.
24. Exclusively, the Principal Authorizing Officer allows commitments and payments to be undertaken by means of expected disbursements from signed loans only in cases when failure to make payments or postponement of payment brings about grave consequences to the accomplishment of the goals of the general government unit. In this case, the commitments are undertaken and payments are made in conformity with the availability of monetary assets in the treasury account and within the approved limits of the annual budgetary deficit.
25. Upon proposal of the authorizing officers of the general government units, the Principal Authorizing Officer assigns the persons who shall be authorized to order payments from the treasury account for financial commitments and liabilities of the general government units.

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<sup>3</sup> Article 72 of the Law 9936, dated 26.6.2008, "On Management of Budgetary System in the Republic of Albania"

26. The Principal Authorizing Officer prepares a report for the Minister of Finance on closure the account of monetary assets and consolidated annual budget within the last day of February of the next year.
27. The Principal Authorizing Officer prepares and submits to the Minister of Finance the consolidated annual report on internal control of the public sector not later than end of April, by relying on the authorizing officers' statement of quality and annual reports on internal control system. This report is a summary of annual reports on financial management and control and on internal audit in the public sector.
28. The Principal Authorizing Officer and the authorizing officers of the general government units are held accountable for keeping the accounting books in compliance with the legislation that provides the foundations for this instruction and in conformity with the special instructions of the Minister of Finance.
29. The budget monitoring and implementation reports are published by the Principal Authorizing Officer in the website of the Ministry of Finance in accordance with the time terms defined by the Minister of Finance.
30. In case he is informed by structures responsible for the treasury on disagreements between the authorizing officer and executive officer of a public entity on the payment of a financial transaction, the Principal Authorizing Officer decides whether to proceed with the payment of public funds, request an investigation by the head of the public entity or initiate a financial inspection. In case he decides to conduct an investigation or initiate a financial inspection, the payment is suspended until a final decision is made.<sup>4</sup>
31. The Principal Authorizing Officer takes decision to impose punitive sanctions for administrative infractions of the Law No. 9936, "On Management of Budgetary System in the Republic of Albania" that can be appealed to the Minister of Finance.<sup>5</sup>
32. Exhaustive responsibilities of the Principal Authorizing Office are set out in separate paragraphs of this instruction.

### **Responsibilities of the Head of General Government Unit**

33. The head official is the head of the central entity of the general government unit and is responsible for adopting specific rules and procedures to be followed in the process of budget implementation in conformity with the requirements of this instruction.
34. He/she monitors the budget implementation by holding authorizing officers accountable and setting reporting methods and frequency based on performance.
35. He/she takes active part in strategic management decisions by leading periodic meetings of the Strategic Management Group of the general government unit.<sup>6</sup>
36. He/she monitors the functioning of financial management and control system through internal audit.
37. He/she makes sure that the authorizing officer is acquainted with the annual reports of the unit's internal audit on functioning of financial management and control system with the aim of taking appropriate measures for its improvement and drafting the annual statement on quality of internal control system.

### **Responsibilities of the Authorizing Officers of the General Government Unit**

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<sup>4</sup> Articles 13 and 14 of the Law No. 10296, dated 8.07.2010, "On Financial Management and Control"

<sup>5</sup> Article 71 of the Law 9936, dated 26.6.2008, "On Management of Budgetary System in the Republic of Albania"

<sup>6</sup> The Strategic Management Group is established in pursuance of Articles 27 of the Law No. 10296, dated 8.07.2010, "On Financial Management and Control".

38. The Authorizing Officer is an official of the highest level of management of the general government unit, responsible for implementation of financial management and control to all budgetary structures and programs, including planning, implementation, monitoring, and risk control linked with the budget implementation, accounting, and financial reporting of general government unit.
- a. An authorizing officer in central government unit is a public administration employee of the highest level, i.e., respectively the general secretary.
  - b. In general government units that are not part of the executive power, the authorizing officer is the highest management officer directly reporting to the head of the unit. In those units where there are no mediate or high levels of management, the head of the unit shall be the authorizing officer.
  - c. The authorizing officer in a local government unit is the mayor or deputy mayor, in case the mayor decides to delegate this responsibility. According to this definition, no one else but the immediate deputy can be the authorizing officer. In small local government units with no internal management levels, it is recommended that the mayor be the authorizing officer. Consequently, in case he/she meets the education criteria stipulated in Article 12 of the Law no. 10296, "On Financial Management and Control", the deputy mayor is assigned as the executive officer of the unit.
  - d. The second level authorizing officer is the head of the spending unit under the subordination of the general government unit with the same responsibilities as the authorizing officer for the spending unit under his leadership.
39. In reliance of the internal rules and procedures approved by the head of the general government unit, the responsibilities on the budget implementation must be allocated by the authorizing officer through a system of delegation/segregation of functions with clear and documented rules. Each and every individual shall be clear and fully informed on his/her responsibilities.
40. The segregation of duties in all general government units must consider that the same officer shall not be responsible for proposing, approving, implementing, bookkeeping, and controlling at the same time.
41. The authorizing officer of the general government unit and the second level authorizing officer to the extent of authority given by the head of the entity are not entitled to delegate financial commitments and other responsibilities for their spending unit as set forth in Article 9 of the Law No. 10296, dated 08.07.2010, "On Financial Management and Control".
42. The authorizing officer of the general government unit and the second level authorizing officer to the extent of authority given by the head of the entity are entitled to delegate some authorities related with the approval of expenditures and purchase orders, as a rule, to the head of the budgetary program or to leaders of the main activities of the unit under direct subordination of their spending unit. The authorization of delegation must clearly define the level of competency, time limit, type of expenditures or maximal value of expenditure /payment allowable to be ordered by the delegated authorizing officer, method and frequency of reporting to the delegating officer. Delegation of this authority to the unit's executive officer is not permitted. Delegation of authority does not imply delegation of responsibility.<sup>7</sup>
43. The authorizing officers of the central government unit shall submit to the principal authorizing officer, whenever requested but not less than 4 times a year, the budget implementation monitoring reports on financial performance, outputs and accomplished

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<sup>7</sup> Article 15 of the Law No. 10296, dated 08.07.2010, "On Financial Management and Control"

objectives for each budgetary program as foreseen in the first year of the final document on midterm budgetary program.

44. Authorizing officers of all levels of subordinating units are responsible and report to authorizing officers by hierarchy up to the authorizing office of general government unit on the status of internal control system, on risk of fraud and irregularities and on each and every serious deficiency that hinders the accomplishment of objectives or on risks that have not been addressed by the unit, on findings of the internal audit, on corrective measures undertaken and implemented by the management levels of the units under their leadership.
45. In accordance with points 1 and 2 of the Law No. 10296, dated 08.07.2010, "On Financial Management and Control", in reliance of self-evaluations, the authorizing officer submits to the head of the public entity and to the principal authorizing officer a statement and the related report on the quality and status of internal control of his public unit for the previous year not later than the end of month of February of the current year. To accomplish his duty, the authorizing officer of the public unit shall implement an internal reporting system to obtain information from heads of budgetary programs/functional leaders and subordinating unit to support his statement.
46. Exhaustive responsibilities of the authorizing officer are given in other sections of this instruction.

#### **Responsibility of the Executive Officer of the General Government Unit<sup>8</sup>**

47. The Executive Officer is a public administration official of the highest level in the finances of a general government unit, assigned by the authorizing officer, and reports directly to him, in a position not lower than the next lower level of the authorizing officer in the organizational chart of the unit. Depending on the level of the unit where he/she is employed, in the central entity of the general government unit or in a subordinating unit, the executive officer reports directly to the authorizing officer of the general government unit or second level authorizing officer on the guarantee of quality of periodic reporting on decision-making intended for the accomplishment of objectives and on annual financial statements of the public units in compliance with the requirements of the applicable legislation and the rules adopted by the Minister of Finance.
48. In the framework of budget implementation, the executive office reports to the respective authorizing officers on:
  - a. Guarantee before adoption of financial documents/orders on legitimacy, regularity, and compliance with the principles of economy, efficiency, and effectiveness;
  - b. Review of costs of activities determined by program leaders and in cooperation with them during the process of allocation/reallocation of budget in the role of the secretary to the unit's strategic management group;
  - c. Supervision and management of staff functionally under his authority;
  - ç. Control and minimization of risks in the course of budget implementation for structures under his authority;
  - d. Documentation of all financial and other transactions and guaranteeing the audit trail for all processes conducted in his unit;
  - dh. Acceptation or refusal of documentation, based on ex-post controls, in conformity with the requirements of Article 13 of the Law No. 10296, dated 08.07.2010, "On Financial Management and Control" and other provisions in effect;

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<sup>8</sup> See Articles 12 and 15 of the Law No. 10296, dated 08.07.2010, "On Financial Management and Control".

- e. Maintaining a system of accounting, reporting on decision making intended for the accomplishment of objectives, and complete, accurate and timely bookkeeping of all transactions, as well as on the preparation of the unit's financial statements in conformity with the rules adopted by the Ministry of Finance.
  - ë. Guaranteeing to collect uncollected debt and in case it is impossible to collect this debt, there must be complete documentation to support that all has been done to collect it, except for cases when responsibility is regulated with special laws.
  - f. Guaranteeing that all creditors are paid in time and in case they have not been paid or are complaining for lack of payment, the executive officer must elaborate the circumstances to the authorizing officer.
49. According to Article 12 of the Law No. 10296, dated 08.07.2010, "On Financial Management and Control", the executive officer is entitled to delegate some of the rights mentioned in points b, c, d, and e, to his functional subordinates. The authorization of delegation must clearly define the level of competency, time limit, type of expenditures or maximal value of expenditure /payment allowable to be signed off by the delegated executive officer, method and frequency of reporting to the delegating officer. Delegation of signature does not imply delegation of responsibility. Delegation of providing opinion to the authorizing officer to undertake financial commitments is not permitted.
50. Exhaustive responsibilities of the executive officer are given in other sections of this instruction.

## **II. STANDARD PROCEDURES OF ALLOCATION AND REALLOCATION OF ANNUAL BUDGETARY FUNDS**

### **II.1 Annual Budget**

#### **Allocation of Budgetary Funds**

51. Within 5 days from the promulgation of the Annual Budget Law by the President of the Republic, the Minister of Finance informs in written form the Principal Authorizing Officer on the budget adopted by the Parliament for each and every general government unit. The principal authorizing officer submits this information in written form to authorizing officers of each general government unit immediately.
52. In consideration of forecast of cash inflows and to maintain the macroeconomic stability, the principal authorizing officer proposes to the Minister of Finance to allocate budgetary funds, as approved of by the Parliament, to expenditure programs and line items of general government units for periods shorter than one year.
53. Within 10 days from the promulgation of the Annual Budget Law by the President of the Republic and upon adoption by the Minister of Finance, as stipulated in paragraph 52 of this instruction, the principal authorizing officer informs in written form:
- a. The authorizing officer of each central government unit on allocation of budgetary funds according to budgetary classification;
  - b. The authorizing officer of each central government unit on projected revenues to be collected by them;
  - c. Local government units on allocation of funds for unconditional transfers
  - d. Special fund units.
54. During the process of allocation and reallocation of budgetary funds, the principal authorizing officer is supported by structures responsible for the budget in the Ministry of

Finance, which validates budgetary funds in the financial information system of the government for each level of the general government unit.

## **II.2 State Budget**

### **Breakdown of Budgetary Funds**

55. Based on the information obtained from the principal authorizing officer, the authorizing officers of central government units compare the planned budget with the approved budget for their units and organize the process of breakdown of funds for the central entity and its subordinating units.
56. For units reporting directly to the head, the second level authorizing officers:
  - a. compare the approved budget, as provided by the authorizing officer, with the planned budget and make the required adjustments in case of changes;
  - b. break down the annual budget to all levels of their spending units (in case there are other subordinating levels), in reliance of the annual budget law, according to budgetary classification down to item level and submit it officially to authorizing officers
57. Supported by the executive officer and the program leaders, the authorizing officer conducts similar controls as described above and approves the document of the budget breakdown for the central government unit.
58. Annual budget breakdown is sent by authorizing officers of the central government units officially and electronically to the Ministry of Finance. Upon approval from Principal Authorizing Officer, the budget breakdown shall be sent officially to each and every central government unit and will only be validated for implementation after its registration in the government's financial information system by structures responsible for the budget.
59. The annual budget plan allocated by the Ministry of Finance for the central budget at title, chapter, and item level represents the maximal limit allowable to be spent by the spending units and the structures responsible for the treasury. In the course of budget breakdown, the central government units shall firstly allocate funds to pay off outstanding liabilities of the previous years for all types of expenditures.
60. Special procedures are applied for the breakdown of budgetary funds approved in the annual budget law. These procedures are:
  - a. Budgetary funds that are not spent in the approved structure, such as Reserve Fund of the Council of Ministers, Contingency Fund, Reserve Fund for the increase of salaries and pension, Special Fund, etc., are validated in the government's financial information system by the structures responsible for the budget at the Ministry of Finance. The fund for the debt service shall be detailed by the structures responsible debt and shall be validated in the government's financial information system by the structures responsible for the budget.
  - b. The State Budget fund for university education is allocated in the form of grants. The grant to each university is allocated at the beginning of the year by the ministry responsible for education and science. Through their collegial bodies, the universities break down this grant by spending units and relevant line items of the budget. The detailed plan adopted by the administrative council is submitted by the universities to the principal authorizing officer, who validates the reallocation of funds to the government's financial information system through the structures responsible for the budget at the Ministry of Finance. A copy of the detailed plan



together with a copy of the administrative council decision is sent as notification to the ministry responsible for education and science.

- c. The initial breakdown of the judicial budget approved at spending unit level is carried out by the unit responsible for the administration of the judicial budget<sup>9</sup> and is submitted to the principal authorizing officer.
  - d. The funds for the National Registration Center (NRC) and National Licensing Center (NLC) are planned as transfers to the ministry responsible for the economy, trade, and energy. The NRC funds for registration centers at municipalities and the NLC funds for licensing centers at municipalities, after breakdown by economic budgetary classification, are presented as reallocations to the principal authorizing officer in the structure responsible for the budget that registers them in the government's financial information system.
  - e. Funds for making payments for immediate reward in pursuance to the Law No. 8097, dated 21.03.1996, "On Supplementary State Pensions of People Carrying Out Constitutional Functions and of State Officials", as amended, are planned in the budget of the Ministry of Finance and are used on a request submitted by the central government unit.
61. The breakdown of the annual plan of expenditures covered with own source revenues for spending units is conducted in the same way as with other budgetary expenditures. The central government unit submits this breakdown to the structure responsible for the budget at the Ministry of Finance and upon approval by the Principal Authorizing Officer it is validated for implementation in the government's financial information system.
  62. All general government units are responsible for the execution of court decisions of final form for their entity within the approved annual budget. The heads of general government units analyze all court decisions and request to identify the administrative responsibility. The court decisions are not paid off without the act of the head proving the audit trail of this process.
  63. A separate fund is planned annually to the Ministry of Finance for enforcement of court decisions related with the liabilities of the state budget. This fund is used on case-by-case basis by the relevant structures of the Ministry of Finance with the approval of the Principal Authorizing Officer. The Ministry of Finance executes international court decisions from the reserve fund of the budget in case it cannot afford to pay from its own funds.
  64. Court decisions on privatization are executed by the Ministry of Finance out of the privatization revenues earned in the current budgetary year, regardless that the proceeds from the sale of assets related with the court decision are deposited in the previous years or paid to other general government units in compliance with the privatization legislation in effect at that time.
  65. The detailed investment plan of the central government units at project level shall consider the following in this order of priority:
    - a. Investments underway from previous year;
    - b. Projects of investments submitted to the Parliament while reviewing the draft budget;
    - c. Co-funding of the state in projects with foreign funding
    - d. Investments according to sectorial priorities approved in the midterm budget program.

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<sup>9</sup>As provided for in the Law No. 8363, dated 01.07.1998 "On Establishment of the Judicial Budget Administration Office"

66. In case the list of investments detailed by the central government unit includes new facilities as compared with the list submitted in the moment of approval of the draft annual budget, the Principal Authorizing Officer includes it in the final list only when this project has undergone the public investment approval procedures.
67. In case the initial detailed list of investment projects of the central government units includes projects that represent contract of additional works, funds will be opened by the Principal Authorizing Officer with prior approval of the Minister of Finance based on a report on their necessity. The Minister of Finance reallocates funds for investments during the budgetary year.
68. The relevant councils of local government units are recommended to follow the above rules when approving the breakdown of investments by projects as part of local budget.
69. Regardless of implementing the rules on treasury system or being implemented outside it (complete or partial scheme), the management of projects shall enforce the same rules as stipulated in this instruction on management of public funds, with the exception of cases when foreseen otherwise in the respective agreements.
70. In each case of operation, either complete or partial treasury system, when not used within the budgetary year, the relevant funds of foreign financing are carried over to the next budgetary year and will not undergo other restrictions imposed on the budgetary funds as provided for in this instruction.
71. For foreign funding implementing the complete treasury system, the structure responsible for the treasury approves the request for allocation of funds by the project management /implementing unit, in reliance of established agreements, and the confirmation for disbursement of funds in the Bank of Albania and validates them in the treasury system. The unused funds of the previous budgetary year will be disbursed as remaining funds for expenditures in the next budgetary year.

### **Reallocation of Budgetary Funds**

72. Reallocation of budgetary funds is part of the update process of policies programmed at the beginning of the year and detailed by relevant budgetary structures.
73. In central government units, the reallocation of funds is initiated by the subordinate spending unit and/or central entity of the unit and involves budgetary program leaders and authorizing officers of all levels according to hierarchy of the central entity.
74. Any request for additional funds or reallocation of funds is accompanied with an assessment report, which identifies the reason, expected results, the contribution to the accomplishment of goals and objectives, and related risks, potential reductions, and consequences.
75. When reviewing requests, the authorizing officer is supported by the executive officer. The latter checks the compliance of the request with the approved budget, summarizes the requests of program leaders, and proceeds as follows:
  - a. Approves reallocation of funds within the same program, chapter, and item of current expenses among various spending units that report to the central government unit covered by him;
  - b. Proposes to the head of the unit the draft decision to be submitted for the Council of Ministers on cases of reallocation of funds among budgetary programs. The head of the central government unit sends the draft decision and an assessment report, as set forth in paragraph 74, for an opinion to the Minister of Justice.
  - c. Officially delivers to the Principal Authorizing Officer the request for additional funds or reallocation of funds that incur changes to budgetary

chapter and articles and/or investment projects within a budgetary program. The assessment report, as provided for in paragraph 74, shall be attached to the request.

76. In consideration of the request for reallocation of funds and assessment report submitted to the Principal Authorizing Officer:
  - a. Reallocation of funds from one program to another within the same central government unit or among program of various central government units is only made upon approval of the Council of Ministers and will not exceed 10% of the total amount of current expenditures or total capital expenditures of the approved program. In pursuance of Council of Ministers' decisions, transfers are made in conformity with the procedures on reallocation of funds.
  - b. Reallocation of funds of investment projects within the same program of the central government unit is approved by the Minister of Finance without affecting the funding sources (budget, foreign funds, secondary revenues);
  - c. Reallocation of current budgetary funds from one chapter and item to another one within the same program are approved by the Principal Authorizing Officer without affecting the funding sources (budget, foreign funds, secondary revenues); the requests for reallocation according to letters a, b and c submitted officially and electronically are approved annually and are registered in the government's financial information system by structures responsible for the budget.
77. In consideration of the notice/request of authorizing officer of the central government unit, respectively according to paragraph 75 (a) and paragraph 76 (c) of this instruction, the following procedures shall be followed for the reallocation of budgetary funds among subordinating spending units:
  - a. Upon receiving a notice from the central government unit, the treasury office immediately blocks the actions of the respective spending units for payments out of budgetary funds as elaborated above.
  - b. Through the structure responsible for the budget at the Ministry of Finance, the Principal Authorizing Officer validates the transaction in the government's financial information system, officially notifies the central unit on the approval of the request, and notifies electronically the responsible structure of the treasury office.
78. The authorizing officer of the central government unit officially notifies the leaders of the budgetary programs and the second level authorizing officer/all functional leaders on reallocation of or additions to the approved funds in accordance with the paragraphs 75 and 76 of this Instruction.
79. The number of reallocations of budgetary funds for each central government unit may constitute one of the indicators for the evaluation of the performance in the course of budget implementation.
80. The right of the general government unit to reallocation of approved funds of the budgetary year is exercised until November 15 of each year, which is considered to be the last date of submission of request to the Principal Authorizing Officer.
81. Reallocations of funds approved on a decision of the Council of Ministers will be carried out only for those central units' requests submitted to Principal Authorizing Officer before November 15 of the current budgetary year.
82. Transfer of funds for:
  - a. The use of Reserve Fund of the State Budget
  - b. The use of Contingency Fund
  - c. The use of Reserve Fund for increase of salaries and pensions

- d. The use of Special Fund
- e. Making payments for immediate remuneration as provided for in paragraph 60 (e) of this Instruction, and
- f. Making payments for enforcing court decisions in accordance with the paragraph 62 of this Instruction shall not be subject to the restriction set forth in paragraph 80 of this Instruction.

The transfer of unallocated funds as stated in points ~~a~~, ~~b~~ and ~~c~~ of this paragraph is made on a decision of the Council of Ministers and is implemented upon a request of the authorizing officer of the central unit and approved by the Principal Authorizing Officer. Court decisions are also enforced upon approval of the Principal Authorizing Officer in accordance with paragraph 63. Funds delineated in points ~~d~~ and ~~e~~ will be used upon a request of the authorizing officer of the central government unit and approval from the Minister of Finance.

### **Number of Budgetary Employees**

- 83. The maximal limit of the number of budgetary employees is composed of the number of permanent staff, number of employees on part-time contract, and the number of staff in reserve.
- 84. The number of permanent staff for central government units is defined in the annual budget law.
  - a. In terms of the number of permanent staff, in pursuance of the annual budget law, the authorizing officer of each central government unit breaks down by budgetary structure the number of permanent staff of the subordinating spending unit and submits it to the Principal Authorizing Officer. Otherwise, the Minister of Finance freezes the payment of salaries to that particular central government unit. The structure responsible for the budget registers the number of permanent staff for each spending unit in the government's financial information system by filing the approval document of the Principal Authorizing Officer to each treasury district office. An exception to the rule of filing the number of permanent staff is the State Intelligence Service, which submits the number of permanent staff to the Principal Authorizing Officer, precisely to the structure responsible for the budget.
  - b. In case of changes in the number of permanent staff and based on the legal/sublegal acts or structural changes, the authorizing officer of each central government unit submits to the Principal Authorizing Officer the request on the change of the number of permanent staff. The Principal Authorizing Officer validates it in the government's financial information system through the structure responsible for the budget. The approval act on the spending unit's structure shall be definitely attached to each and every change of number of permanent staff from one spending unit to another.
  - c. The structure responsible for the budget in the district verifies and registers the actual number of permanent staff for each spending unit in the financial information system based on the payroll and the approved number of staff.
- 85. Provisions stipulated in paragraph 84 shall also be used for the number of employees with temporary/part-time contract for all central government units, once the maximal number is approved in conformity with the standards established on seasonal/temporary activities of spending units. The respective expenses will be covered with the funds planned in the current annual expenditures. The structure responsible for the budget notifies officially the respective treasury office on the approved number of the budgetary staff with

temporary contracts. The treasury office will proceed with the monthly controls similarly to the manner of operation with permanent staff.

### **Subsidies**

86. With regard to all types of subsidies, the relevant instructions provided on planning and implementation shall be applied. These instructions may change when improvement of procedures, rules or deadlines is needed. The disbursement of funds planned for subsidy for the budgetary year will be conditioned on the approval of this subsidy by the state aid commission. The subsidy will not be disbursed without prior approval of this commission with the exception of subsidies for school textbooks and governmental services.
87. Subsidies are provided in accordance with the deadlines set forth in relevant instructions, but the breakdown of subsidy by month shall be considered. Subsidy funds are disbursed to the service providing spending unit and not to the beneficiary.

### **Reserve Fund of the State Budget and Contingency Fund**

88. The Reserve Fund of the State Budget shall only be used for cases of funding expenses that cannot and are impossible to forecast in the course of budget preparation. The use of this fund is approved on a decision of the Council of Ministers.<sup>10</sup>
89. The request for using this fund undergoes three phases:
  - a. The line ministries submit a project to the Minister of Finance elaborating the need for additional funds, inability to afford the project by means of reallocating fund within the system in consideration of accomplishment of budget for the reporting period, the emergency of the problem, and the impossibility to forecast in the budgetary process, etc.
  - b. After having reviewed the request and its justification, the Minister of Finance provides his input and suggestions that will definitely have to be clarified and addressed in the course of preparing the final draft decision.
  - c. With the incorporation of the opinion of the interested minister and of the Minister of Finance, the draft decision is submitted to the Council of Ministers.
90. The Contingency Fund is used in accordance with the provision of the annual budget law to cover the effect of failure to collect revenues, the need to undertake new funding and to add extra money to the approved funds of the existing programs.

## **II.3. Local Budget**

### **Rules and Criteria on Use of Local Budget**

91. The local budget is drafted and implemented in reliance of the provisions of the Law No. 8562, dated 31.07.2000, "On Organization and Functioning of the Local Governance", Law No. 9936, dated 26.08.2008, "On Management of Budgetary System in the Republic of Albania", other legal acts, and sublegal acts issued in pursuance to them.
92. Within 10 days of the approval date of the annual budget and midterm budgetary program, as amended, by the Council of Minister, the Principal Authorizing Officer informs each local government unit on transfers from the central government units.

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<sup>10</sup> In accordance with Article 5 of the Law No. 9936, dated 26.08.2008, "On Management of Budgetary System in the Republic of Albania"

93. The annual unconditional transfer to the local government units approved in the annual budget law is divided in quarters by the Principal Authorizing Officer and is validated in the financial information system by the central structure responsible for the treasury.
94. Each and every local government unit reviews and prepares final budget for approval at the municipal council. The budget and the relevant annexes as well as the local council decision attached to it are submitted to the prefect of the region within seven days of the approval date. After verification of the local council's decision on the budget by the regional prefect in compliance with the authorities stipulated in the Law on Prefects, even in case the prefect has returned it without approving it but the council chooses to disregard the decision of the prefect, the annual budget statements (revenues according to their source and expenditures) are submitted to the treasury district office for implementation, in conformity with the rules and formats required by the treasury office on the registration in the government's financial information system. Until the adoption of the local budget by the council of the local government unit, the mayor of the local government unit authorizes monthly expenses of up to 1/12 of actual expenditures in the local budget of the last budgetary year, but within the total sum of the grant, revenues collected during the current year and those carried over from the previous year. Thus, if this total is smaller than 1/12 of the actual expenses of the previous year, the expenditures shall not exceed this total
95. The local government units make public all decisions of the local councils relating to the use of funds made available by the central government and the funds generated from own sources.
96. In case of approval of budget at program level, reallocations:
  - a. Among programs are approved by the council of the local government unit;
  - b. Among investment projects within the same program are approved by the mayor of the local government unit;
  - c. Among line items of current expenses within the same program are approved by the mayor of the local government unit;
  - d. Within the same program and current expenses line item, among various spending units, are approved by the authorizing officer of the local government unit to which the spending unit reports.
97. Any budget change during the year will follow the same procedure of the budget approval at the beginning of the year. According to the Law on Organization and Functioning of Local Governance, local government units are entitled to review their approved budget in conformity with the performance of their revenues and change of priorities over the year.
98. Unconditional transfer together with own revenues of the local government unit are registered in the government's financial information system as revenues of the local unit. Expenditures of these funds will be reflected in the relevant budgetary structure. The structure responsible for the treasury authorizes only those local expenses that are incorporated in the budget of the local unit as approved by its council.
99. The unconditional transfer that is not completely used during the budgetary year is carried over to the next year.
100. The budget of local government units will reflect all revenues, expenditures and funding at local level. The local budget is unique with revenues and expenditures presented by service and items, regardless of their funding sources. Conditional funds for financing functions that are not transferred or delegated to local government units are not local revenues and shall not be approved as constituent part of the related local government unit's budget. The council shall only decide for projects with which they will compete to benefit from the regional development fund, even though this fund is conditional. The local budget is balanced, except for cases when it borrows to fund investment projects.

101. Upon approval of funds by programs and items of expenditures, the first to be paid shall be the outstanding liabilities of the previous year and then the activities of the current year.
102. Local government units shall also meet financial liabilities stemming from court decisions of final form imposed on them.
103. The local government units shall submit the structure and number of employees to the treasury district office alongside the decision of the local council on approval of budget. In addition, within March 31, they shall send to the Principal Authorizing Officer, the structure responsible for the budget, the number of employees for each local government unit.

### **Revenues of Local Government Units**

104. The revenues approved in the budget of the local government unit include:
  - a. Tax revenues that are revenues foreseen in accordance with the local tax system laid down in the Law No. 9632, dated 30.10.2006, "On Local Tax System", as amended and Law No. 9975, dated 28.07.2008, "On National Tax System", as amended;
  - b. Non-tax revenues, including revenues from various services, proceeds from sales and leases of assets, lands, etc., from contributions, sponsorships, fines, etc.;
  - c. Revenues from loans of domestic or foreign financial or banking market;
  - d. Revenues generated from the subordinating entities of the local government unit used by the unit that generated them;
  - e. Revenues from its activity as tax agent;
  - f. Revenues from fines and other penalties;
  - g. Revenues from membership fees of communes and municipalities for the regional council;
  - h. Unconditional transfer from the central government;
  - i. Conditional transfer from the central government (for functions approved in the budget of the local government unit); and,
  - j. Other revenues as provided for in special laws.

### **Local Government Borrowing**

105. In reliance of Law No. 9869, dated 4.2.2008, "On Local Government Borrowing" and of Article 58 of the Law No. 9936, dated 26.08.2008, "On Management of Budgetary System in the Republic of Albania", local government units are entitled to borrow. The rules, criteria, procedures, and documentation for local government borrowing as well as transparency, cooperation and reporting with the structures of the central government are set out in separate instructions of the Minister of Finance.
106. The local government borrowing from the domestic and international market shall be conditioned by: 1) limit of public debt, 2) performance of fiscal indicators of the local government units, and, 3) written evaluation of the Minister of Finance on each and every application on case-by-case basis.
107. The Minister of Finance orders the opening of transitory bank accounts in commercial banks upon a request of the local government unit: municipality, commune, regional council (with the loan agreement attached to the request and submitted respectively to the structure responsible for the debt and to the structure responsible for the treasury).

108. Commercial banks open the bank accounts in which the installments of the particular loan are disbursed under the name of each borrowing local government unit. The bank notifies the structure responsible for the treasury on the bank account number. Once the disbursement is made (monetary assets have been transferred), the commercial bank submits the bank account statement to the treasury district office where the local government units is located.
109. The amount disbursed by the local government unit must be distributed and allocated, (because the treasury office agrees with the local government units and in reliance of the request for authorized increase) to be used in conformance with the requirements of the loan agreement.
110. Repayment of debt by the local government unit shall be made in pursuance of procedures on public expenditures set forth in this instruction.

### **Funds from Local Loan to Finance Investment Projects**

111. These funds are registered as a separate item and are reported periodically in accordance with the specific instruction of the Minister of Finance. In case ~~Financing Interception~~ is used as guaranty for the local loan, the local government unit delivers a copy of the loan agreement and/or interception agreement with the relevant bank to the relevant treasury district office where the local government unit under consideration conducts budgetary activities. In case of failure to meet contractual financial obligations established between the bank/public unit, upon a request of the creditor, the district treasury office enforces the order of payment for unpaid installment as foreseen in the contract by touching the unconditional revenues (revenues from taxes, fees, other non-tax revenues, and the unconditional grant) of the local government unit under consideration.
112. The structure responsible for the budget of the Ministry of Finance submits to the structure responsible for the treasury the plan on loan disbursement, repayment of loan and guaranty fund for the implementation of the local loan agreement for each local government unit. The transaction of internal borrowing shall be part of the monthly reporting of the structure responsible for the treasury.

### **Expenditures of the Local Government Units**

113. Expenditures approved in the budget of the local government units include:
  - a. Expenditures for own (exclusive) functions
  - b. Expenditures for shared functions
  - c. Expenditures for delegated functions
114. Expenditures for own functions include expenses of any economic nature that are foreseen to be made on:  
Infrastructure and public services:
  - a. Water supply;
  - b. Operation of drinkable and sewer water pipes and protection from storm water runoffs in residential areas
  - c. Construction, rehabilitation and maintenance of local roads
  - ç. Lighting of public facilities
  - d. Operation of urban public transport
  - dh. Administration of cemeteries and operation of burial service
  - e. Décor service
  - ë. Administration of parks, playgrounds and other public green areas



- f. Collection, removal, and processing of waste
- g. Urban planning, land management and housing as provided for in the applicable laws

Social, cultural and sport services:

- a. Conservation and development of local cultural and historic values, organization of activities and administration of relevant institutions;
- b. Organization of sport, entertaining, and leisure activities, and administration of relevant institutions;
- c. Social service and its administration, etc.

Local economic growth:

- a. Preparation of local economic growth programs
- b. Establishment and operation of public markets and trade network
- c. Development of small businesses and undertaking promotional activities, such as fairs, advertisement in public spaces
- ç. Organization of services to support local economic growth, such as information, and the related necessary structure and infrastructure
- d. Veterinary service
- dh. Protection and development of forests, pastureland and other local natural resources

Order and civil defense

- a. Keeping of public order for prevention of administration violations and making sure communal or municipal services are enforced;
- b. Civil protection

In accordance with Article 2 of the law No. 10340, dated 28.10.2010, "On Payment of Liabilities to Third Parties by Enterprises and Public Shareholder Companies Owned by Local Government", in cases when public enterprises or shareholder companies owned by local government units do not make timely payment of their liabilities to third parties, the local government units shall be responsible to pay off these liabilities. In addition, in accordance with Article 3 of this law, when public enterprises or shareholder companies owned by local government units are subsidized by the local/central government and have not paid off their obligations to third parties, the Minister of Finance, through the structure responsible for the budget and the structure responsible for the treasury, verifies the reasons of failure to pay off obligations to third parties for issues that are linked with vital and basic interests of the community. In case it is deemed that the responsibility for the obligation rests with the local government unit under consideration, the Minister of Finance freezes the financial transaction of the local government unit owning the public enterprises or shareholder companies for obligations of its enterprises or shareholder companies to third parties until this liability is completely paid off.

115. Expenditures on shared functions includes expenses of any economic nature foreseen to be made in:

**Education**

*a. Operation and maintenance of pre-university school facilities*

Municipalities and communes have full authority to ensure maintenance and operation of all pre-university education facilities in their community. The funds for maintenance and operation of these pre-university education facilities are included in the own local sources. Each municipality and commune determines the amount of funding it will allocate to this function from all sources available to their budget. The Ministry of Education and Science prepares and issues national standards on safety and health applicable to all pre-university education facilities. These standards shall

not restrict the decision-making of the municipalities and communes in areas of clear local interest. The expenditures related with the operation and maintenance of pre-university education facilities are approved as part of the budget for each municipality and commune.

*b. Dormitories of pre-university education*

To calculate and make payments of salaries and social insurance contributions for the staff of these dormitories, the local government unit shall rely on the regulatory framework used by the Ministry of Education and Science. The service will be provided in accordance with the standards and criteria as laid down in the applicable legal and sublegal acts. Local government units may add to these funds from their own revenues in order to increase the quality of service in this sector.

*c. Investment*

Local government units may benefit from funds of the Ministry of Education and Science for investments in pre-university education. In addition, local government units may provide funding for the pre-university education from own revenues. They must obtain prior approval from the Ministry of Education and Science on new education facilities. The local government units comply with the standards established by the Ministry of Education and Science, whose structures will monitor, evaluate, and control the enforcement of standards established on the reconstruction, construction and refurbishment of pre-university education facilities.

## **Healthcare**

*Investments*

Local government units may also benefit from funds of the Ministry of Health for investments in healthcare facilities and ambulances of the primary healthcare service. In addition, local government units may provide funding for the construction or reconstruction of healthcare centers and ambulances of primary healthcare service from their own revenues. They must obtain prior approval from the Ministry of Health on new healthcare facilities. The local government units comply with the standards established by the Ministry of Health, whose structures will monitor, evaluate, and control the enforcement of standards established on the reconstruction, construction and refurbishment of healthcare centers and ambulances of primary healthcare service facilities

116. Expenditures on delegated functions include:

**a. Expenditures on social protection**

The ministry responsible for social protection provides the breakdown of social protection funding at the beginning of each year for each and every local government unit, specifically for the economic aid and disability payment. The local government units shall comply with the intended use as determined by the responsible ministry. Social protection funds are delegated as conditional transfer to each local government unit at the beginning of the year. The criteria and principles used for allocation of these funds are made public to all municipalities and communes.

**b. Expenditures on social care**

Funding of social care services provided by the municipalities, communes and the region will be covered from the state budget and local revenues. The funds from the state budget are given as conditional funds by the ministry responsible for social care at the beginning of each year. The municipalities and communes administer the social care services for care centers providing services to individuals, residents of the respective commune or municipality, and care services to these individuals. The

regions administer the social care services for social care center providing services to several local government units located in the territory of the region.

117. Outlays of the local government units on the account of central government are not local expenditures and are not approved in the local budget by the relevant municipal or communal council. Rather, they are designated as delegated funds. With the exception of the above, these outlays include:
- a. Expenses for the civil registry service
  - b. Expenses for sections of land administration at the regions (*qarks*)
  - c. Expenses for employees of the National Registration Center of Businesses and National Licensing Center for those local government units that house offices of the National Registration Center and National Licensing Center.
118. **Conditional transfer.** The conditional transfer in the current year budget is given to fund a part of expenses for shared functions and the expenses of delegated functions. These funds shall be used only for the purpose for which they were approved. This means that these are funds of the ministries/central government units and their transfer from a local government unit to another will undergo the general rules on the transfer of budgetary funds. Any amount of these transfers not used by the end of the budgetary year will not be carried over to the next year.
119. Local government units may use unconditional funds to fund functions that are financed with conditional funds.
120. **Breakdown and disbursement of funds for investments.** In their breakdown of investments, local government units and the regions shall consider the order of priority defined in the investment sections of this instruction. The council of the local government unit approves the investment programs according to the development priorities of the local government unit and the region. If project investments are not approved by the council of the local government unit, after the investments of major programs have been approved, the mayor of the municipality/commune or the head of the region will break the program down to projects, according to parameters established by the council, by notifying the council on this issue in its next meeting.
121. **Revenues of regions from local government units' fees.** In reliance of Article 18 of the Law No. 8652, dated 31.07.2000, "On Organization and Functioning of the Local Governance", as amended, the local government units pay a fee to the order of the regional council. The rate of this fee for each and every local government unit shall be determined by the regional council in accordance with point b of Article 54 of the above law. The fees as approved of by the regional council become part of the budget of the local government unit. A memorandum of understanding is signed between the local government units and the regional council on the yearly obligation to the regional council. Upon a request for payment issued by the region, the local government units makes an internal transfer to the favor of the regional council by means of the structure responsible for the treasury in the government's financial information system.
122. **Reserve Funds and Contingency Fund.** In reliance of point iii of letter a of paragraph 7 of Article 19 of the Law No. 8652, dated 31.07.2000, "On Organization and Functioning of Local Governance" and Article 6 of the Law No. 9936, dated 26.06.2008, "On Management of Budgetary System in the Republic of Albania", the Reserve Fund is created to cover expenses unplanned in the budget of the local government units, and the Contingency Fund is established to address the effects of the failure to collect revenues, to meet the needs for endorsing new funding and for additional funding to the approved budget of the existing programs. These funds are established at a ratio of 3 (three) per cent of the total value of approved funds, excluding here the conditional transfers.

123. **Compensation Fund.** The local government units shall send to the Principal Authorizing Officer the request and the data to benefit from the compensation fund. The principal authorizing officer receives and reviews these requests in conformity with the criteria established in the applicable legal and sublegal acts and provides a written opinion to the Minister of Finance who makes the final decision.

### III. PROCEDURES FOR CONDUCTING PUBLIC EXPENSES

124. The public expenditure<sup>11</sup> is a decrease in net worth finalized in capital or current expenditures, non-returnable, with or without compensation obligation.

125. The process of making public expenditures involves the general government units responsible for management of public funds, the treasury system, the financial control before the payment is made<sup>12</sup>, and the manager of liquidities of the general government as well as the banking system for executing payments and receipt of monetary assets on behalf of the general government units.

126. Treasury system<sup>13</sup> is a set of rules and procedures and is the organizational structure engaged for budget implementation, management of liquidities, keeping the accounts and financial reporting of the general government unit.

#### Forecast of Payments and Receipts – Cash flow

127. The structure responsible for the treasury authorizes only expenditures for which the breakdown of the annual budget plan and cash flow are registered in the financial information system.

128. For effect of annual budget monitoring in order to manage government liquidities, the executive officer of each general governance unit drafts the monthly cash flow plan for the general governance unit and a detailed plan for the spending unit.

129. Cash flow<sup>14</sup> is the forecast of inflows and outflows of the monetary assets of the general government units and is drafted on the basis of:

- a. estimate of revenues to be collected and other inflows
- b. Plan of procurements and other planned commitments
- c. Planned payments arising from commitments

130. The cash flow plan is drafted in accordance with the economic classification by 3 groups of items: personnel expenditures, operating expenditures, and capital expenditures.

131. The first draft of the cash flow plan<sup>15</sup> shall be submitted by the authorizing officer of the central government unit to the principal authorizing officer together with the draft annual budget and shall be discussed in advance with the central structure responsible for the treasury.

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<sup>11</sup> In accordance with the definition provided in Article 3 of the Law No. 9936, dated 26.06.2008, 'On Management of Budgetary System in the Republic of Albania

<sup>12</sup> In accordance with the Article 54 of the Law No. 9936, dated 26.06.2008, 'On Management of Budgetary System in the Republic of Albania

<sup>13</sup> In accordance with the definition provided in Article 3 of the Law No. 9936, dated 26.06.2008, 'On Management of Budgetary System in the Republic of Albania

<sup>14</sup> In accordance with the definition provided in Article 3 of the Law No. 9936, dated 26.06.2008, 'On Management of Budgetary System in the Republic of Albania

<sup>15</sup> In accordance with the Article 49 of the Law No. 9936, dated 26.06.2008, 'On Management of Budgetary System in the Republic of Albania

132. The authorizing officer of the local government unit submits the cash flow plan drafted in accordance with paragraph 129 to the treasury district office. In case local government units need to revise the plan to increase the quarterly limit of unconditional transfer, they shall submit an official request to the principal authorizing officer elaborating the need for increasing the fund.
133. The total cash flow plan shall be equal to the annual budget approved for the unit and allocated by the Ministry of Finance.
134. Upon notification of the approved annual budget, the authorizing officer of the public unit reviews the documentation submitted by the executive officer, approves the cash flow plan and files it officially in an electronic form as well in the treasury system.
135. The structure responsible for the treasury checks:
  - a. Compliance of the total the cash flow plan with the annual budget of the respective public entity
  - b. Conducts comparisons with the forecasts of the treasury system on payments and receivables of the general governance and provides prior approval;
  - c. After final approval of the principal authorizing officer, registers and validates for implementation in the government's financial information system;
  - d. Informs the authorizing officer of the respective public entity on the approval of the cash flow.
136. The cash flow proposed by the treasury and approved by the principal authorizing officer constitutes the maximal monthly limit for expenditures for each and every spending unit of the general government units. Upon receiving the notice from the authorizing officer of the general government unit, the executive officer of the general government unit organize the internal process to register the cash flow in the accounting system of each spending unit, which is part of the general government unit.
137. The cash flow plan may be revised in the course of budget year. The number of revisions of the cash flow plan for each general government unit may constitute one of the indicators for the evaluation of performance in the course of budget implementation.
138. In consideration of available liquidities in the single treasury account at the Bank of Albania, directly or upon request from the authorizing officer of general government unit, within the last 10 days of the month, the principal authorizing officer shall, through the central structure responsible for the treasury, review to increase/decrease, approve and updated the maximal monthly limits allowable for expenditures without affecting the normal operation of the entity. The structure responsible for the treasury shall officially inform the respective general government unit on this action.
139. In exclusive cases, in conditions of a daily financial forecast with deficient liquidities in the single treasury account, the priority of order of payments for transactions on expenditures of the general government units is determined in the following exhaustive order:
  - a. Payments for debt service
  - b. Payments for emergency hospital expenses of vital functions (purchase of oxygen, blood, food, etc.)
  - c. Payment of salaries and social and health insurance for the staff of general government units
  - d. Transfers to Social Insurance Institute for payment of pensions
  - e. Economic assistance/unemployment payment
  - f. Payments for water and power supply
  - g. Payments in currencies from the single treasury Lek account at the Bank of Albania

h. Other payments from public funds in pursuance to the first come-first served principle of chronological registration.

In cases foreseen otherwise on a decision of the Council of Ministers or in emergency cases, the Minister of Finance may order payments disregarding the above order of priority.

### **Undertaking Commitments and Making Public Expenditures**

140. The request for expenditure shall be submitted by the functional leader of activity at each level of budgetary unit, subprogram or program, responsible for the accomplishment of objectives planned in the framework of respective budgetary programs. The applicant of expenditure cannot request to make expenses outside the funds he has requested and which have been approved in the process of budget planning of the entity in accordance with the budgetary program he/she is part of.
141. The application for expenditure is submitted to the authorizing officer with a carbon copy to executive officer.
142. The executive officer compares the application with the planned expenses for the respective budgetary activity/subprogram/program, checks its legal compliance, and provides an opinion to the authorizing officer. The opinion may be provided in written form separated from the application for expense or the executive officer may directly sign the application in case it complies with the rules. In cases of undertaking commitments that are accompanied with establishment of contracts for goods and services, the executive officer provides his opinion after having checked the final official notice on the announcement of the winner and its publication in the public procurement bulletin.
143. The authorizing officer of the general government unit or the second level authorizing officer, as case might be, undertakes the commitment<sup>16</sup> for all types of expenditures and signs the contract and/or order of procurement for goods and services in small amounts of money.<sup>17</sup>
144. The executive officer of the respective unit registers the contract or order of procurement for small purchases, as per the case, in the management accounting system, prepares the document on schedule of payments, and submits the above documents in the Albanian language (in case the signed contracts are in a foreign language) with the official notice on announcement of the winner to the structure responsible for the treasury within three business days from the signing date. Failure to respect the above schedule may lead to delays in the liquidation of payments from the treasury system. Contractual penalties imposed out of this delay shall be charged to the respective offending unit.
145. Commitments on goods, services and public works are made in the Albanian currency, including contracts of foreign-funded projects, excepted for cases otherwise foreseen in the loan agreement.
146. In the case of long-term contracts, the executive officer of general government unit registers the total amount of the contract in the management accounting system and the remaining amount of the multi-year contract is reviewed at the beginning of the next budgetary year in consideration of the works carried out (actual expenses) in the previous budgetary year.
147. It is prohibited to use freezing of client's account for all contracts (investments, services). When establishing investment contracts, it is prohibited to stipulate disbursement of

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<sup>16</sup> Article 43 of the Law No. 9936, dated 26.06.2008, 'On Management of Budgetary System in the Republic of Albania' and Article 22 of the Law No. 10296, dated 08.07.2010, 'On Financial Management and Control'

<sup>17</sup> Procurement procedures are stipulated in other special laws and governmental regulations.

budgetary funds as advance payments except of cases when the contract makes specific reference to the legal/sublegal act. In these cases, the advance may amount up to 10% of the total amount but not more than the guaranty limit of the contract. Exceptions to this rule include only those contracts of special importance (of investments and services) and with prior approval of the Minister of Finance. The term of the contract established in violation of this provision is invalid and shall not be executed.

148. The structure responsible for the treasury identifies the total value of each contract/procurement order and the schedule of contract repayments, once availability of sufficient annual budgetary fund in the government's financial information system is certified for the contract's part of the current year, as approved in the annual budget law in the relevant budgetary structure. The remaining amount of the multiyear contract is registered for the subsequent years.
149. Upon registration of the above documents in the government's financial information system, budgetary funds for expenses are blocked (as registered commitment). The structure responsible for the treasury writes on the document the sequential electronic number given by the system, to be used by the general government unit in its order for expenditure/payment.
150. If the general government unit cancels the contract it has established before and has registered the contract's total or partial amount in the government's financial information system, it shall submit an official request to the structure responsible for the treasury for the cancellation of the entire or partial amount of that contract as confirmed by the third party (economic operator) as well.
151. The executive officer of the general government unit monitors the enforcement of the contract in accordance with the schedule of contractual payments.
152. The executive officer shall conduct checks before payments are made for all expenditures incurred with regard to sufficiency of available monthly funds as planned in the cash flow and shall check the original documents that prove expenses are made as well as other controls of documents that may be needed.<sup>18</sup>
153. The executive officer shall ask from each economic operator the bank form with the relevant references when filling in the documents he/she submits to the treasury district office for payments from public funds. In case the bank references of the economic operator change or when the economic operator is new, a copy of the bank attestation shall be submitted to the treasury district office.
154. If all documents are complete and accurate, the subordinating staff of the executive officer of the general government unit shall prepare three copies of the expenditure order with all relevant references, which are approved in advance by the executive officer. In other cases, responsible people shall review the documentation all over again.
155. Budgetary expenditures are registered with 7-digit figures according to economic classification of expenditures which at the same time is an account of the public accounting plan.
156. The authorizing officer of the general government unit gives final approval for the expenditure order with its relevant references. The authorizing officer's signature on the expenditure order constitutes a certification to the treasury system that the expense has been made.
157. Once the transaction of the expenditure is identified in the accounting system by the executive officer of the unit and the archive is received for administration, the

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<sup>18</sup> In accordance with the provision of Article 13 of the Law No. 10296, dated 08.07.2010, 'On Financial Management and Control' and other applicable legal and sublegal acts

expenditure order is delivered immediately to the structure responsible for the treasury together with:

- a. The invoice of the economic operator in case of purchase of goods or services or for partial or final payments related with the investments;
- b. The payment lists for other types of expenditures
- c. The legal document for specific payments, such as payments of court decisions, expropriations, former political prisoners and prosecuted people, etc.

158. The structure responsible for the treasury registers the expenditure order in the government's financial information system once it is submitted by the spending unit. The sequential number given by the system is also the respective unit's protocol number of file. The controls carried out during the registration process are provided herein:

- a. **Formal control** ó this control checks whether the expenditure order is completed correctly in conformity with the approved format and in all sections and fields. It also verifies the authenticity of signatures deposited in the system and the accuracy of the seal of the public entity.
- b. **Document control** ó this control checks whether sufficient original documents are attached to the expenditure order to prove realization of expenses in accordance with the stipulations in paragraph 157, their relationship with the general government unit's commitment registered before in the system, as provided for in paragraph 149, and the references of the expenditure order.
- c. **Control of destination and amount of available funds** ó this control checks whether the expenditures made according to documents attached to the expenditure order are expenses of the same nature with the funds approved for this purpose and whether the general government unit has sufficient unused funds for each category of expenses.
- d. **Control of existence of monthly allowable limit for expenses (monthly cash flow)** ó this control is conducted in the system delineated by aggregate items disbursed before. In case the amount of expenditure order is larger than the available liquidities, payments are authorized in order of priority determined by the Minister of Finance, such as parallel expenses (social contributions, taxes, etc.), electricity, currency expenses, and urgent payments proposed by the spending unit.

159. Once the above control is conducted, the structure responsible for the treasury approves the expenditure when its documents comply with the requirements set forth in this instruction or stemming from other legal and sublegal acts. In other cases, the expenditure shall not be approved and the documentation shall be returned to the general government unit for corrections or cancellation.

160. The payments for boards, steering committees or similar bodies will be authorized only when public entities present the legal justification for these payments, which will be verified by the structure responsible for the treasury before authorizing them. These payments shall be authorized only when a specific law stipulates the establishment of the above bodies and when the payment rate is determined in a decision of the Council of Ministers.

161. The structure responsible for the treasury approves the payment by signing and stamping the seal on all copies of expenditure order and attached documents. In case the same document corresponds to more than one expenditure order, it will be sealed at each separate part of the corresponding expenditure contained in that document.

162. Before making the payment, the structure responsible for the treasury checks whether the government's financial information system has registered the economic operator that provided the services or goods to the general government unit and that will be the beneficiary of public funds.



163. In case the economic operator is not registered in the government's financial information system, the central structure responsible for the treasury will conduct a thorough check in the taxpayers' information system and will register the economic operator in the system including the name of the entity and its tax id number according to the data of tax register.
164. In case of discrepancies of economic operator's bank data with the tax information system data, the tax structures shall communicate with the banking system to unify the data. In case the taxpayers' information system reveals a name of an economic operator tax id other than the one written on the general government unit's documents in the treasury system, the general government unit must contact the economic operator and ask it to update the data in the national registration center and in the district and central tax structure.
165. The structure responsible for the treasury approves the request for payment in the government's financial information system.
166. Each morning, the structure responsible for the treasury proceeds with the establishment of the daily limit of payments with the aim of ensuring an effective and transparent management of liquidities of the single treasury account at the Bank of Albania.
167. Then, the structure responsible for the treasury continues with the procedure of grouping the requests for payments in accordance with the rule of chronological registration of expenditure orders in the government's financial information system (first come, first served).
168. Upon electronic authorization, the Bank of Albania makes the payments of public funds by transferring liquidities from the single treasury account to the beneficiaries' bank accounts in commercial banks. The electronic payment contains all the required information for the bank with the aim of transferring the funds to the beneficiaries. The procedure of payments is conducted in accordance with the rules set forth in the agreement of the Minister of Finance with the Bank of Albania.
169. By the end of each working day, the Bank of Albania confirms electronically that it has made the payments and reconciles them with the structure responsible for the treasury.
170. After having reconciled the daily payments with the Bank of Albania, the structure responsible for the treasury sends a confirmation on the realization of payments to the spending unit of the general government unit, which will then register the closure of the financial transaction to its accounting system and completes the final record of the transactions.

### **Payments among General Government Units**

171. For payments among general government units (including those among spending units) the structure responsible for the treasury may proceed with internal transfers/payments directly in the government's financial information system without movement of monetary assets that affect the single treasury account. These internal transfers/payments are also recorded in the financial accounting system as expenses for the paying general government unit and as revenue for the payee general government unit.

### **Monthly Reconciliations of Expenditures**

172. Until the 5<sup>th</sup> of each month, the executive officer reconciles with the structure responsible for the treasury the monthly/progressive expenses that the general government unit has made. The structure responsible for the treasury shall define the reporting format.
173. After the monthly reconciliation of expenses, the general government units prepare financial reports for decision-making and the structure responsible for the treasury

prepares consolidated periodic financial reports of the government that are published by the Principal Authorizing Officer in the website of the Ministry of Finance.

### **Investments with Foreign Funding**

174. Different reporting procedures depending on specifications provided in special instructions of the Minister of Finance (for partial or complete treasury procedures) may be implemented for foreign-funded projects. Since they are paid directly from the lender's account and are not reported through the treasury system, the foreign funding of projects disbursed in monetary assets or in kind shall be registered as income in the budget, upon notification of payments made by the lender/donor (obtained through the structure responsible for the debt) and confirmed by the beneficiary general government unit.
175. Units of projects with foreign funding provided as loans or the executive officer of the general government unit (in the absence of the project unit) are obligated to submit to the Principal Authorizing Officer (the structure responsible for the debt) a copy of the request for the disbursement of the development loans alongside the request they submit to the creditors.
176. For foreign funded projects that are not reported through the treasury system, the project implementation units or the financial departments in the general government units are obligated to submit their monthly or progress reports to the Principal Authorizing Officer in the central structure responsible for the treasury within the 5<sup>th</sup> day of the next month, in accordance with the format defined in an instruction on foreign funding issued by the Minister of Finance.
177. Project implementation units with foreign funding provided as loans reconcile in advance the data on disbursements with the structure responsible for the debt and submit monthly reports to the structure responsible for the treasury.

### **Subsidies**

178. The amount of the subsidy to the bank account of the beneficiary is transferred by the structure responsible for the treasury upon an order of the paying general government unit and upon the submission by the latter of a justification document of the expense (invoice, payment list, etc.) in pursuance to the relevant procedures.
179. Disbursement of the first installment of subsidy is made according to the plan in the form of an advance, while in other cases disbursement of subsidies is made according to the balance, by subtracting the difference of the balance of the previous year. In no case shall subsidy exceed the plan. When the balance of the previous period is in surplus, it shall not be taken into consideration.
180. Besides the balance, the subsidizing general government unit shall also request a copy of the justification documents attached to it. The subsidizing general government unit is entitled to conduct an audit and to request expertise on balance and relevant documentation. In other cases, the subsidizing general government unit can freeze the disbursement of new funds of subsidy.

### **Expenses in Currency**

181. Expenses in currency are a component of the Lek budget of the general government unit approved in the annual state budget law. The structure responsible for the treasury authorizes the purchase of currency to the limit authorized by the Minister of Justice in consideration of the approved budget in Lek.

182. At the beginning of each year, the authorizing officer of general government units are obligated to submit to the Principal Authorizing Officer, respectively to the structure responsible for the treasury, the annual plan of payments in foreign currency and a quarterly-detailed plan for units they cover (while no breakdown by spending unit is required).

#### **IV. STANDARD PROCEDURES ON MANAGEMENT OF REVENUES**

183. Revenue<sup>19</sup> is an increase in net worth finalized in capital or current receipts, with or without return obligation

184. The general government units are responsible for the timely collection of the revenues and their management.

185. General government units' revenues are deposited to the treasury account in the banking system and consolidated in the single treasury account at the Bank of Albania.

186. The structure responsible for the treasury is in charge of highlighting them as they are deposited in the treasury account, registering them in the government's financial information system, notifying the general government units, and of reconciling and reporting them.

187. Collected revenues are identified in the financial information system after their reporting from the banking system to the Ministry of Finance in accordance with the procedures in an electronic form and in formats defined in the agreements among parties.

188. Paragraphs 189 through to 219 elaborate the general government units' procedures on management of revenues, which are different from the central tax revenues, social and health insurance contributions, and other revenues intended for special funds. The general government units generate and use these revenues according to the extent and criteria set out in the relevant legal and sublegal acts. As a rule, they are planned in the annual budget, with the exception of surplus revenues that are elaborated in the paragraphs 189 through to 195.

#### **Surplus Revenues**

189. Surplus revenues are those revenues unplanned in the annual budget that general government units generate and use according to the extent and criteria set out in the relevant legal and sublegal acts.

190. Expenses made out of surplus revenues are recorded in a separate budget structure according to authorization made by the structure responsible for the treasury in conformity with the revenues generated in reality.

191. Surplus revenues are classified in the revenues carried over to the next budget year and in revenues that are not carried over to the next budget year.

192. Unused surplus revenues carried over to the next budget year are directly disbursed by the treasury district office without authorization from the Principal Authorizing Officer after reconciliation with the spending unit covered by the latter.

193. The surplus revenues carried over to the next budgetary year include:

- a. Sponsorships with specific destination as defined by the donor
- b. Revenues from university education
- c. Revenues from hospitals
- d. Revenues from tax agents that are not budgetary institutions

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<sup>19</sup> In accordance with the definition provided in Article 3 of the Law No. 9936, dated 26.06.2008, 'On Management of Budgetary System in the Republic of Albania

194. Procedures used for surplus revenues shall also be followed for monetary assets in custody, which include:
- a. Deposits for participation in an auction and banking guarantees (when they are returnable);
  - b. Unidentified receipts until their final arrangement;
  - c. Wrong receipts that have to be given back when proven to be wrong;
  - d. Temporary receipts out of penalties until decision of final form is reached
  - e. Receipts from complaint pleas of the customs system
  - f. Entrepreneur's monetary assets in custody related with the amount of guarantee of defective works, kept from the entrepreneur out of the total value of the final balance of the investment as provided in the contract.
195. Surplus revenues that are not carried over to the next budgetary year include:
- a. Proceeds from sanctions and sale of confiscated goods in pursuance to the Customs Code of the Republic of Albania;
  - b. Proceeds from the auction of smuggled goods

### **Title for Receipt and Its Submission to Commercial Banks**

196. The title for receipt (invoice) is a mandatory financial document, based on which the general government unit identifies the revenue.
197. Upon appearance of the client that has received the service from the unit, the executive officer of the general government unit completes the title for receipt in all areas and references in three copies according to the format approved by the Ministry of Finance. He keeps one copy and gives the other two to the client to submit to the banking system.
198. For receipts over 1,000 Leks, the general government units shall operate through the banking system or postal service (on the basis of an agreement of the general government unit with the Albanian postal service).
199. The title for receipt shall contain the name and code of spending unit, name and code of structure responsible for the treasury, description of revenues expected to be received, the seven-digit code of the economic account of revenues expected to be received, and the amount of revenues to be received.
200. The representative assigned by the general government unit signs the title for receipt.
201. As a rule, the banking system accepts receipts of non-tax revenues only when the client presents the title for receipt.
202. By the end of each day, the banking system reports electronically on and transfers the monetary assets to the account of the government at the Bank of Albania in reliance of an agreement established between the Ministry of Finance and the commercial banks and Bank of Albania.
203. In the next day, within the time defined in the agreement with the Ministry of Finance, the banking system sends electronically to the central structure responsible for the treasury at the Ministry of Finance the "Daily Revenues Account Statement" broken down by beneficiary and according to the accounting classification of revenues (constituting mandatory information of the title of revenues).
204. The Bank of Albania consolidated the receipts in the single treasury account and sends electronically the account statement for the total of receipts to the central structure responsible for the treasury, which shall register them in the government's financial information system.
205. The structure responsible for the treasury reconciles the accuracy of data with the banking system and the Bank of Albania by clarifying the undetermined revenues and errors if any, and prepares the revenue account statement for each general government unit.

206. Based on the revenue account statements that they receive periodically from the structure responsible for the treasury, the general government units reconcile on daily basis the banking mail of revenues with the titles for receipts by checking their compatibility. If the data reconcile, the executive officer registers the revenues in the unit's financial accounting system and prepares a periodic report for decision-making.

### **Monthly Reconciliation of Revenues**

207. The executive officer reconciles the progressive revenues with the structure responsible for the treasury at the district from the government's financial information system on monthly basis.

208. In case of mismatch/discrepancy of the data of the reconciliation act with the data of the government's financial information system, the treasury office shall make the necessary corrections in the financial information system for the faulty amounts of revenues to the general government unit the revenues belong to and shall officially inform the respective general government unit of this action.

209. In case the data of the reconciliation act with the data of the government's financial information system match/reconcile, the executive officer of the respective unit and the authorizing officer of the structure responsible for the treasury shall sign the reconciliation act.

### **Use of Revenues**

210. After the reconciliation act has been signed, the executive officer shall prepare a request for authorized increase in reliance of a joint instruction of the Minister of Finance and central government units.

211. The request for authorized increase is made up of two parts: the first part specifies the budget structure of revenue receipts; this part shall be confirmed by the treasury district office and the responsible structure of the general government unit, whereas the second part specifies the budgetary structure in which the revenue will be allocated, the requested increase for each item, and the total of requested increase.

212. In regard to surplus revenues, the request for authorized increase shall be signed by the head of the general government unit, whereas for revenues within the approved budget (within the limit) the request shall be signed by the authorizing officer of the general government unit and shall be submitted to the treasury district office.

213. The structure responsible for the treasury conducts the following procedures:

- a. Checks the amount of request with the availability of revenues of the general government unit in the system;
- b. Checks legal compliance (legal and sublegal acts on the use of revenues);
- c. Approves the request if its amount is equal to or smaller than the total of available revenues;
- d. Distributes and allocates the revenues in the budgetary structure in conformity with the unit's request

214. Expenses covered with these revenues shall be identified in the relevant budgetary structure and shall be made in consideration of actual revenues by complying with the use limit as set forth in the annual budget plan.

215. The subsequent procedures for expenditures covered from revenues are similar to procedures laid down in Section III of this Instruction.

216. The revenues (as planned in the annual budget) that are not used by the end of the year shall not be carried over to the next budgetary year.

217. When spending units are tax agents, the revenues generated from this activity shall be treated as revenues from the main activity and shall all be deposited to the state budget. The limit of use of these revenues shall be defined in the relevant structure of the expenditure budget plan.
218. The central entity of the general government unit may transfer the right of use of generated revenues from one spending unit to another and to the central entity of the above unit, associated with the confirmation from the structure responsible for the treasury.
219. The structure responsible for the treasury shall not allow expenses above the annual limit of use of revenues even though the level of their collection is not limited over the year.

### **Central Tax Revenues**

220. The treasury district office shall enter the tax revenues in the financial information system at 7-digit level according to budgetary economic classification in reliance of periodic reports of the structure responsible for the taxation and customs. This data serves to reconcile with the bank data and for detailed reporting on government's budget fiscal indicators.
221. When preparing their periodic reports on general government units, which are tax agents that deposit tax revenues to the revenue account of the treasury, the regional tax entity shall receive from the structure responsible for the treasury a confirmation on the amount received in the reporting period for that respective tax and, after having entered it into the system, highlights it in the periodic report. The structure responsible for the treasury and the regional structure of taxation shall sign the periodic report and submit it to the central structure responsible for taxation with the aim of accomplishing the tax revenue plan and ensuring taxpayers pay their taxes.
222. To avoid physical transfer of monetary assets among government accounts, when tax revenues are mistakenly deposited in non-tax revenue bank account on behalf of treasury, there shall be no physical transfer of the money between the two bank accounts. Instead, the structures responsible for the treasury and taxation shall agree on the solution and the reporting will be made in accordance with the procedures described in the previous paragraph.

### **Mobile Liquidities**

223. In pursuance to the agreement with the banking system, revenues paid at commercial bank on the last date of the budgetary year are registered with the same currency date by the treasury office in the government's financial information system in the next business day. These revenues are considered "Mobile liquidities" and shall be reflected in the single treasury account at the Bank of Albania in the next business day(s) in accordance with the account statement sent by the Bank of Albania.
224. The balance of monetary assets carried over to the next year in the single treasury account and the revenues received at commercial banks on December 31 of the previous budgetary year (Mobile liquidities) shall serve as liquidities in the next business day for paying expenditure orders registered and approved in the previous year budget plan until January 31 of the subsequent year.

## **V. SPECIFIC PROCEDURES ON SPECIAL FUNDS**

225. Special Funds include the social insurance fund, the healthcare insurance fund, the property compensation fund, and other funds that may be established on special laws. The relevant public entity shall make the breakdown of the transfer of the state budget to the Social Insurance Institute and Health Insurance Institute and shall submit it to the principal authorizing officer, who validates it in the government's financial information system.

### **VI.1 Social Insurance Budget**

226. The transfer for social insurances as approved in the annual budget and opened by the Ministry of Finance shall be carried out by the structure responsible for the treasury in Tirana to the respective public unit (Social Insurance Institute):

- a. Social insurance outlays for the following categories:
  - i. For all people serving the mandatory military service;
  - ii. For women earning the right to pension in the budgetary year to the extent of the number of years of full-time university education;
  - iii. For underground workers with special financial treatment;
  - iv. For military industry workers with special financial treatment;
  - v. For people receiving payments because they serve the paraplegic people;
  - vi. For people receiving payments for up to one year as income for unemployment, because of termination of work relations;
  - vii. For people receiving transitory payments, in accordance with the Law No. 8097, dated 21.03.1996, "On Supplementary State Pensions of People Carrying Out Constitutional Functions and of State Officials", as amended;
  - viii. For people receiving transitory payments in accordance with the Law No. 10142, dated 15.5.2009, "On Supplementary Social Insurance of Military People";
  - ix. For military people treated with premature pension due to seniority of service in accordance with the Law No. 10142, dated 15.5.2009, "On Supplementary Social Insurance of Military People";
- b. Funds intended to cover transfers to household budgets of:
  - i. Compensation in money given to pensioners to reimburse expenses incurred by the increase of prices of electricity and food;
  - ii. Special state pensions;
  - iii. Rewards to war veterans and invalids;
  - iv. Compensation of fuel expenses for labor invalids, and paraplegic and tetraplegic people;
  - v. Supplementary pensions to former functionaries;
  - vi. Supplementary premature pensions to military and other people;
  - vii. Special treatments of miners;
  - viii. Rewards to martyrs' families;
  - ix. Financial treatment of military industry workers;
  - x. Financial treatment of flying pilots and submarine military people;
  - xi. Supplementary pensions for scientific titles and degrees;
  - xii. Compensation of income to people that benefit minimal pensions;
  - xiii. Payments to cover expenses related to provision of assistance in case of death.
- c. Subsidies intended:

- i. To cover the difference rate between the minimal contribution of the self-employed person and the contribution defined by the Council of Ministers' Decision for self-employed people in agriculture, self-employed people in ambulatory activities, and people employed as housewives;
    - ii. To cover the difference between the expenses and revenues of the social insurance scheme, when the revenues from the contributions do not recover the benefits;
    - iii. To cover additional outlays arising from the increase of pensions as provided for in a Council of Ministers' Decision, larger than the declared inflation index.
  - d. For the categories of people specified in letter a) points i, ii, iii, iv, v, and vi, the contributions will be calculated on the minimal wage. For other people, the calculation of contributions will be based on the beneficiary's individual salary at the time when his/her work relations were terminated. The documentation on beneficiaries will be collected by the Social Insurance Institute through the ministries and public units that provide the financial treatment and will serve to calculate the transfer as well as to identify contributions in the register of people's individual data for effects of entitlement to benefits from social insurances. The Social Insurance Institute informs the line ministries and the public units on the required information, documentation and frequency of reporting/submission of documents.
  - e. Decrease of transfer can only be made after changes in the law on annual budget. Adjustments among items in the transfer amounts transferred from the state budget to the Social Insurance Institute budget, either as subsidies or funding with specific destination (elaborated above) shall be made by Social Insurance Institute during the procedures on drafting annual financial statements, are incorporated in the financial statements according to actual expenses and needs for contributive subsidies, which are approved by the administrative council of the Social Insurance Institute, and are consolidated in the government's financial statements by the Ministry of Finance.
227. The bank accounts that report social insurance contributions paid through the tax entities are considered as revenues to the state budget and shall be reported by the end of each business day by commercial banks to the Bank of Albania in a separate form together with other bank accounts of expenditures and revenues of the state budget.
228. The Social Insurance Institute reserve fund, established by law, is administered in a special account at the Bank of Albania. The size and principles of investment of the reserve fund are stipulated in the financial regulation of the Social Insurance Institute, adopted by its administrative council. This fund is invested upon a decision of the Social Insurance Institute, as approved and authorized by the structure responsible for the treasury to an amount as foreseen in the applicable legal provisions. The interests on the investment of this fund shall be transferred to the Social Insurance Institute's special account of payments of the Bank of Albania.
229. The Bank of Albania operates a special account on management of transaction and payments from the budget of the Social Insurance Institute. The Minister of Finance assigns authorized officers to utilize this account. The transfers of monetary assets to this account shall be carried out periodically from the single treasury system at the Bank of Albania, in reliance of monthly forecasts submitted by the Social Insurance Institute and to the limit of available liquidities paid to this institute as social insurance contributions.



230. The Social Insurance Institute orders the transfer of liquidities from the special account at the Bank of Albania to bank accounts of commercial banks for carrying out transactions to household budgets and for administrative budget according to financial program and procedures it has defined. Due to non-withdrawal of pensions on monthly basis, the free funds are administered by commercial banks as short-term deposits.
231. The Social Insurance Institute shall reconcile every month with the tax entities on social insurance contributions, supplementary contributions, fines and interests, and outstanding obligations (debtors of contributions).
232. The Social Insurance Institute shall submit the report on implementation of social insurance budget within the 5<sup>th</sup> day of the next month to the principal authorizing officer, respectively to the structure responsible for the treasury, after its reconciliation with the structure responsible for the taxation.
233. After reconciliation with the tax entity, the Social Insurance Institute reconciles the report with the Health Insurance Institute and the people duly authorized by them co-sign the reconciliation act on adjustment of differences related to the transfer of liquidities from the single treasury account during the previous month. The Social Insurance Institute sends officially the order document on adjustment of differences together with a copy of the reconciliation act to the Ministry of Finance carbon-copying the Health Insurance Institute. The structure responsible for the treasury incorporates the adjustments in the next transfer from the single treasury account to the special accounts of the Social Insurance Institute and Health Insurance Institute at the Bank of Albania.
234. At the beginning of each month, the commercial banks send officially to the Ministry of Finance (to the structure responsible for the treasury) a confirmation on the status of liquidities in the Social Insurance Institute account as of the end of the previous month.

## **V.2 Health Insurance Budget**

235. The state budget transfer to the healthcare insurance budget the funds to cover primary healthcare and contributions for the healthcare insurance for non-active people as defined in the Law No. 7870, dated 13.10.1994, "On Health Insurance".
236. The Health Insurance Institute breaks down the cash flow plan by month to be approved by the principal authorizing officer through the structure responsible for the treasury and which can be revised in accordance with the monthly reports of the Health Insurance Institute. Periodic transfers from the central budget to the HII budget shall be carried out by the structure responsible for the treasury in Tirana upon an order of the central structure responsible for the treasury.
237. The HII shall specifically report on monthly basis the costs of primary healthcare service, as a component of the healthcare insurance budget, to the principal authorizing officer, respectively to the structure responsible for the treasury, by items and sub-items of budget classification. The report shall also include summarized information on the planned and actual number of employees for the primary healthcare service.
238. HII makes transactions of payments to the accounts opened in commercial banks by the Ministry of Finance on request and behalf of the Health Insurance Institute. This account will periodically have revenues paid by tax entities of the Ministry of Finance to the order of HII, state budget transfers, and other revenues directly paid to HII.
239. The Health Insurance Institute reserve fund, established by law, is administered in a special account at the Bank of Albania. This fund is invested upon a decision of the Health Insurance Institute by central the structure responsible for the treasury to an amount as foreseen in the applicable legal provisions. The interests on the investment of

this fund shall be transferred to the Health Insurance Institute's bank accounts in commercial banks.

240. At the Bank of Albania, the Minister of Finance authorizes the opening of a special account on management of transaction and payments from the budget of the Health Insurance Institute. The Minister of Finance assigns authorized officers to utilize this account. The transfers of monetary assets to this account shall be carried out periodically from the single treasury system at the Bank of Albania, in reliance of monthly forecasts submitted by the Health Insurance Institute and to the limit of available liquidities paid to this institute as social and healthcare insurance contributions.
241. The Health Insurance Institute shall reconcile every month with the tax entities on healthcare insurance contributions, supplementary contributions, fines and interests, and outstanding obligations (debtors of contributions).
242. The Health Insurance Institute shall submit the report on implementation of healthcare insurance budget within the 5th day of the next month to the principal authorizing officer, respectively to the structure responsible for the treasury, after its reconciliation with the structure responsible for the taxation.
243. After reconciliation with the tax entity, the Health Insurance Institute reconciles the report with the Social Insurance Institute and the people duly authorized by them co-sign the reconciliation act on adjustment of differences related to the transfer of liquidities from the single treasury account during the previous month. In reliance of the reconciliation act, the central structure responsible for the treasury incorporates the adjustments in the next transfer from the single treasury account to the special accounts of the Health Insurance Institute and Social Insurance Institute at the Bank of Albania.
244. At the beginning of each month, the commercial banks send officially to the Ministry of Finance (to the structure responsible for the treasury) a confirmation on the status of liquidities in the Health Insurance Institute account as of the end of the previous month

### **V.3 Property Restitution Fund**

245. The funding sources for restitution of properties, kept in a special treasury account at Bank of Albania, include the following:
  - a. Upon a request from the unit responsible for property return and restitution, the treasury district office makes the transfer of budgetary funds, as defined in the annual budget law for restitution of former proprietors, to the property restitution fund account at the Bank of Albania. This transfer is conducted on the basis of a plan of payments that the property return and restitution unit has prepared and submitted in advance to the central structure responsible for the treasury.
  - b. The proceeds from the auction sales of state assets and the proceeds generated from the sale of land in facilities privatized over the years, for which the property return and restitution commissions have issued no decision, shall be deposited to the revenue treasury account in Tirana to the order of the Ministry of Finance. The Ministry of Finance executive officer shall reconcile the proceeds generated from the sale of state assets with the structure responsible for the administration and sale of assets and with the structure responsible for the treasury. In reliance of the reconciliation act confirmed by the executive officer, the authorizing officer of the Ministry of Finance authorizes the transfer of monetary assets to the account of the property restitution fund at the Bank of Albania, only for that part of revenues that belong to the property restitution and in the amount defined in the applicable legal and sublegal acts.

- c. Proceeds from the transfer of ownership of a construction land plot, as a result of the process of legalization of informal settlements, shall be paid by individuals to the account of revenues at the treasury district offices. The unit responsible for the legalization process shall periodically reconcile the proceeds from the legalization process of informal settlements with the central structure responsible for the treasury. In reliance of the reconciliation act, the central structure responsible for the treasury authorizes the transfer of monetary assets from the single treasury account to the account of the property restitution fund at the Bank of Albania
  - d. Any other proceeds paid to the order of property restitution fund, generated in conformity with the applicable legislation, shall be deposited directly or through the structure responsible for the treasury to the account of property restitution fund at the Bank of Albania.
246. The Minister of Finance opens payment accounts at commercial banks with the description "Payment from the Property Restitution Fund". Upon a request from the property return and restitution unit, the central structure responsible for the treasury shall make the transfer of monetary assets from the property restitution fund account at the Bank of Albania to the account at commercial bank.
247. The property return and restitution unit makes public notification in media and/or its official website on the list of people that will benefit from the property restitution fund during a particular period.
248. Beneficiary entities/individuals shall open a bank account in their name in a commercial bank. They shall deliver the bank statement on opening of the account to the property return and restitution unit, which shall attach it to the application file.
249. The persons authorized by the Minister of Finance, representatives of the property return and restitution unit, shall make the payments according to the categories of beneficiaries from the payment accounts at commercial bank to the beneficiaries' bank accounts.
250. The property return and restitution unit shall report to the principal authorizing officer on the 5<sup>th</sup> day of the month on payments made to the beneficiaries' bank accounts from the payment accounts during the previous month, the balance of the payment account. In addition, by the end of the year, this unit shall submit a report on payments made to beneficiaries over the year, the final balance of the unused monetary assets in the commercial bank.
251. The unused monetary assets in the property restitution fund at the special account in the Bank of Albania by the end of the budgetary year shall be carried over to the next year.

#### **V.4 Presentation of Resources and Expenditures of Special Funds in Yearend**

252. The resources and expenditures of the special fund in the consolidated actual annual budget shall be presented as follows:
- a. Resources are part of the consolidated budget and are represented in gross terms in the column of the revenues of the actual consolidated budget, in the relevant bookkeeping accounts of revenues according to their type.
  - b. The transfer of resources to the special fund account at the Bank of Albania shall be considered as a circulation of monetary assets among accounts of the Minister of Finance at the Bank of Albania.
  - c. Expenditures are shown in gross terms in the amount of payments made by unit responsible for the special fund to the beneficiaries' bank accounts over the year.
  - d. The balance of unspent monetary assets in the special account at the Bank of Albania and in the bank accounts at commercial banks at the end of the budgetary

year shall be presented in the column of financing the budgetary deficit in the actual consolidated budget statement.

## **VII. MONITORING REPORTS**

253. In periodic meetings of the Strategy Management Group led by the head of the general government unit, the principal authorizing officer shall elaborate the main issues and the serious deficiencies with regard to the process of budget implementation, level of performance in the course of accomplishment of objectives, and the treatment of related risks identified in meetings among managers and in the monitoring reports, with the aim of promoting more discussions and approval of concrete measures intended to improve the process and minimize risks (by assigning the responsible person to lead the efforts).
254. The rules on reporting on performance of budget implementation shall be specified exhaustively in the Minister of Finance's Instruction "On Implementation of Monitoring Procedures". The monitoring reports shall include information on achievements expressed in quantity and quality terms of accomplishments, shall identify failures, and shall elaborate the reasons for these failures by proposing measures to mend and improve the situation.
255. The local government units shall report periodically to central government units on the use of funds delegated by the latter.
256. Within the 28<sup>th</sup> of the next month of each quarter, the central government units' authorizing officers shall submit to the principal authorizing officer detailed information on performance of the annual budget outputs. The central government units shall provide the monitoring report on performance of their annual budget outputs within January 30 of the next year in consideration of the final data reconciled with the Ministry of Finance.
257. The budget monitoring reports are published in the official website of each line ministry. These reports are also published in the official website of the Ministry of Finance through the links placed in the ministries' websites.
258. Authorizing officers of central government units submit to the principal authorizing officer, respectively to the structure responsible for the administration and sale of assets, summarized data on owned assets, as identified in paragraph 31 of the Minister of Finance's Instruction No. 30, dated 27.12.2011, "On Management of Assets in the Public Sector Units". Reporting frequency is as follows:
- a. Reports on facilities and objects on lease and rented with right for capital construction to third parties are submitted two times a year, within February for the previous year data statement and for data on the start of the reporting year as well as within August on performance of receipts in the reporting year.
  - b. Central government units shall submit summarized data on commercial companies and concessionary companies to the Ministry of Finance within the month of July.
259. In conformity with points 1 and 2 of Article 3 of the Law No. 10296, dated 08.07.2008, "On Financial Management and Control", the authorizing officer of the public unit submits to the head of the public unit and principal authorizing officer a statement and the relevant report on the quality and status of internal control systems of his/her public unit for the coming year no later than the end of the month of February of the current year. To accomplish his duty, the authorizing officer of the public unit, in the attributes of risk coordinator as well, shall implement an internal reporting system to obtain information from program/unit leaders and subordinating units to support his/her statement.

## **VIII. OTHER PROVISIONS**

260. The annual budget shall be closed in reliance of the financial reporting rules established a special instructions approved by the Minister of Finance.
261. The relevant structures of the Ministry of Finance must refer to the same indicator of the gross domestic product in the analysis attached to the report of the draft law on actual budget of the previous year ó to that indicator adopted on a decision of the Council of Ministers in the course of drafting the actual budget law.
262. In reliance of Article 38 of the Law No. 9936, dated 26.06.2008, "On Management of Budgetary System in the Republic of Albania", the minister of Finance shall issue budget implementation instructions in reliance and pursuance to this law. In the meaning of this law, any and every instruction of the central government units conflicting with this instruction shall not be enforced by the structure responsible for the treasury and the central government units themselves.
263. A summarized schematic presentation of procedures stipulated in this instruction is given as an audit trail for the budget implementation, attached to and forming a component of this instruction. This presentation is composed of:
- a. Annex 1 ó Audit trail for allocation and reallocation of annual budget funds
  - b. Annex 2 ó Audit trail for conducting public expenditures
  - c. Annex 3 ó Audit trail for management of revenues of general government units (except of central tax revenues and special funds)
264. This instruction becomes effective immediately and shall be published in the Official Journal.

**Ridvan BODE**

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**MINISTER**