

ORGANIC BUDGET LAW

No. 8379 Date 29 July 1998

On
Preparation and Execution of the State Budget of the
Republic of Albania

According to article 16 and 28 of the law no. 7491 dated 29.04.1991 "On main constitutional articles" upon proposal of Council of Ministers

THE PARLIAMENT
OF THE REPUBLIC OF ALBANIA

Decided:

CHAPTER I
GENERAL DEFINITIONS

Article 1

This Law regulates the principles governing the preparation, proposal, and approval of the State Budget and responsibilities for its implementation.

Article 2

2.1. State Budget is the annual financial program of the government consisting of appropriations approved by Parliament and which includes all estimates of revenues, borrowing and expenditures and other payments to implement Government, Public Administration, Local Government and judiciary functions and responsibilities. The State Budget is the main financial instrument that implements economic and social policies.

2.2 Local Government Budget is the annual financial program of local governments and which includes all approved revenues and expenditures for implementation of local government functions and responsibilities in the areas they are active.

2.3 Approved Funds is the right given from the State Budget to use a given fund within a certain period.

2.4 Funds are various types of revenues used to pay expenses approved by this law.

2.5 Consolidated Fund is the fund that includes all the revenues from the State Budget and the directions for its use.

2.6 Special Funds are tax and non-tax funds established by law and spent to finance specified activities. Special funds are funds of institutions, established by law, the operation of which are financed through such special revenues.

2.7 The Consolidated Fund and Special Fund form the State Budget.

2.8 Budget Institutions are entities whose activities are financed by the State Budget.

2.9 Budget Request is the request for funds from the state budget, starting as a budget institution proposal and prepared according to instructions by the Minister of Finance.

2.10 Request for supplements and reductions are requests for fund distribution modifications in one or more approved funds, which after being approved by the Council of Ministers are sent to Parliament for approval.

- 2.11 Maximum number of employees is the maximum number of employees that can be employed by a budget institution, as set in the State Budget.
- 2.12 Dividend is revenue arising from state capital usage.
- 2.13 Expenditures are all government payments made under the authority of approved State Budget appropriations except repayments of loan principal.
- 2.14 Grants are revenues received as gift, grant or donation, with no interest or repayment required, with or without a restricted purpose, to finance activities according to particular policies.
- 2.15 Loans are revenues to be repaid, with or without interest, to finance particular projects planned by approved funds or to finance budget deficit.
- 2.16 Interest and fees are amounts paid to creditors based on rates and terms set in a contract. These represent a loan's cost and are part of budget expenditures.
- 2.17 Principal is the amount of loan payments without interest and fee payments.
- 2.18 Investment funds are used to pay capital investment, stock, securities and loans.
- 2.19 Budget Structure is the organizational, functional, economic, and geographic classification of revenues and expenditures based on source of formation and utilization.
- 2.20 Receipts are state resources not classified as revenues.

Article 3

The budget year is the same as the calendar year, starting the first of January and ending the thirty-first of December.

Article 4

State Budget revenues and other receipts consist of:

- 4.1 Tax revenues;
- 4.2 Non-tax revenues including economic activities of budget institutions, administrative fees and user charges, fines and forfeitures, repayment of loans and other non-tax revenues according to the law;
- 4.3 Revenues from the sale of state property;
- 4.4 Domestic and external grants, both grants in cash, in-kind and commodities;
- 4.5 Domestic and external borrowing by the Government for financing capital investment and any budget deficit; and
- 4.6 Other revenues in accordance with law.

Article 5

- 5.1 All revenues raised or received pursuant to Article 4 of this Law shall form one Consolidated Fund.
- 5.2 Cash resources of the Consolidated Fund are maintained in one account called the Unified Treasury Account at the Bank of Albania. The Treasury may maintain, as necessary for efficient management of treasury functions, a limited number of treasury accounts to manage cash in and out of the Unified Treasury Account.
- 5.3 The balance of the Consolidated Fund may be invested by the Minister of Finance after consultation with the Governor of the Bank of Albania.

Article 6

Local government revenues and other receipts consist of:

- 6.1 Local tax revenues, including taxes given by law to Local Government;
- 6.2 Transfers approved by State Budget;
- 6.3 Domestic and external grants administered by Local Government and recorded at the Unified Treasury Account;
- 6.4 Other revenues paid to local government in accordance with law; and
- 6.5 Borrowing from the Government.

Article 7

Budget Institution expenditures and other payments consist of:

- 7.1. Current expenditure including salaries, wages and allowances, expenditure on goods and other services, current transfers, and interest payments;
- 7.2. Capital expenditure including construction, reconstruction, acquisition and transfer of capital assets;
- 7.3. Lending and equity participation; and
- 7.4. Repayment of principal on borrowing.

Article 8

Local Budget expenditures consist of:

- a. Current expenditure including salaries, wages and allowances, expenditure on goods and other services, current transfers, and interest payments;
- b. Capital expenditures; and
- c. Other expenditures for implementation of functions in accordance with law

Article 9

- 9.1. No expenditure not appropriated by the State Budget shall be made by the Council of Ministers from the Consolidated Fund except as appropriated by special law.
- 9.2. Where law requires or permits the repayment of a loan received by the Council of Ministers and there is no special fund available, the Council of Ministers has the right to use the Consolidated Fund for the repayment.

Article 10

- 10.1 Budget classifications, structure, and other technical parameters of the local government draft budget and the way it is drafted must be in compliance with this law, whereas the authority of Local Government for the budget is regulated by a special law.
- 10.2 Budget requests for special funds are developed, submitted and approved in compliance with budget classification, procedures and deadlines determined by this law.

Article 11

The difference in a given fiscal year between revenues, excluding borrowing and expenditure, is a surplus if revenues are larger than expenditures of the State Budget, or a deficit if expenditures are larger than State Budget revenues. The budget of local government shall not be in deficit.

Article 12

The proposed State Budget and the approved State Budget shall stipulate the use of a budget surplus or the means of financing a budget deficit. The budget deficit shall be financed by domestic or external borrowing.

CHAPTER II

BUDGET PREPARATION, PRESENTATION AND APPROVAL

Article 13

- 13.1. The preparation of the Proposed State Budget is based on the requirements of economic development, analysis of macroeconomic stability, and the policies and regulations determined by the Council of Ministers and the Minister of Finance.
- 13.2. The Minister of Finance shall conduct macroeconomic analyses in advance of budget planning and make them available to the Council of Ministers.
- 13.3. The approval of an appropriation in one State Budget does not establish right to the item in the following budget.

Article 14

In June of each year, the Minister of Finance shall report on the macroeconomic and fiscal situation of the current fiscal year. The Minister of Finance shall also propose directives and fiscal policy targets, and estimate the main categories of revenues and appropriations for the coming budget year, and submit these to the Council of Ministers.

Article 15

15.1. On or before July 10, based on decision of the Council of Ministers, the Minister of Finance will issue a Circular providing guidelines for ministries and other government agencies. This Circular will indicate policy objectives, key parameters to be used, and the procedures and timetable for budget request preparation. The Circular will also indicate total levels of appropriation for each budget institution.

15.2. Minister of Finance guidelines determine the format and data requirements for the preparation and submission of the budget requests of budget institutions as below indicated:

- a. Revenue and appropriation estimates for the budget year for categories of expenditure prescribed in budget classifications issued by the Ministry of Finance;
- b. Appropriation estimates for the following two fiscal years in budget classifications approved by the Minister of Finance;
- c. Summary of proposed maximum employment level for which appropriations are requested, indicating any proposed variation from current levels;
- ç. Explanation of the estimates to permit the Minister of Finance analyze and review all budget proposals;
- d. Budget requests involving future commitments or multiyear expenditure, including investment projects, shall be submitted for each future year; and
- dh. All requests for major capital projects shall be included in the annual budget.

Article 16

16.1 Local Government budget requests are presented and approved in accordance with the criteria and budget classification provisions in article 15.

16.2 Budget requests for special funds shall be prepared, submitted and approved in accordance with the criteria, budget classification, procedures, and timetables as provided in this law.

Article 17

17.1 Budget requests from budget institutions to the Minister of Finance shall be submitted by September 1st of each year.

17.2 The Minister of Finance shall examine revenue, appropriation, and employment level requests, propose necessary adjustments, and determine borrowing requirements and examine possible sources of revenues.

17.3. In the event of disagreement during discussion of the proposed State Budget between the Minister of Finance and other institutions, the Minister of Finance will prepare a report, giving details about both institutions attitude. The Prime Minister reviews the report and makes his final decision.

Article 18

The Minister of Finance shall prepare a draft of the State Budget for submission and approval by the Council of Ministers in October of each year.

Article 19

19.1 The State Budget proposal submitted for approval shall include a statement of budget revenues and expenditures as follows:

- a. Revenue items in detail, pursuant to Articles 4 and 6;
 - b. Expenditure items in detail, pursuant to Article 7; and
 - c. The Consolidated Fund balance at the beginning and end of the year, and balances of the other funds included in the proposed State budget.
- 19.2. The Minister of Finance shall in the case of a proposed surplus, propose arrangements for its use, and in the case of a proposed deficit, propose the sources of financing. The deficit level shall be considered an upper limit and be consistent with Articles 33 through 35.
- 19.3. A functional classification of expenditures shall be consistent with international standards.
- 19.4. Revenues, appropriations, and expenditures shall include actual data for the previous fiscal year, revised estimates for the current fiscal year, and proposed estimates for the budget year.
- 19.5. Budget institutions shall estimate revenues and appropriations for the two years beyond the budget year.
- 19.6. The annual estimate of expenditures for investment projects shall extend over more than one fiscal year together with details of the expected aggregate costs.
- 19.7. The budget proposal shall identify revenues proposed for special purposes and expenditures and proposed legal provisions to facilitate budget implementation.

Article 20

- 20.1. Revenue estimates for collections shown in the approved budget shall not constrain actual collections to amounts recorded there. Revenue collection shall be based on current revenue laws or new laws enacted in the course of the year.
- 20.2. Changes introduced to Parliament for the State Budget shall be consistent with the stated upper limit on the size of the deficit. Proposed appropriation increases shall be accompanied by measures to increase revenues or decrease other budget appropriations by corresponding amounts.

Article 21

The State Budget will include a reserve fund to meet unforeseen expenditures. This cannot be more than 3 percent of total appropriations. Expenditures may only be made from this reserve after proposal by the Minister of Finance and approval by the Council of Ministers. The Minister of Finance shall periodically report to Parliament on details of expenditures from the reserve.

Article 22

- 22.1 The Council of Ministers, after reviewing and approving, submits the proposed State Budget to Parliament by November 20 each year, for its examination and approval.
- 22.2 The Minister of Finance, on behalf of the Council of Ministers, presents the State Budget to Parliament and gives details about it.
- 22.3. After approval by Parliament, amounts appropriated in the State Budget, with the exception of payment of interest and principal on government borrowing as determined in article 9.2, shall be regarded as maximum amounts. Actual expenditures may not exceed an appropriation.
- 22.4 The Parliament may make changes to the proposed State Budget after the proposal of the Council of Ministers, when the main indicators of revenues change, when expenditures are above the limit determined in article 29.2, and when the deficit or other financial resources change.
- 22.5 The annual State Budget and approved changes shall be published in the Official Gazette.
- 22.6 For any law submitted to Parliament, the Ministry of Finance shall provide before approval, analysis of its expected impacts on State Budget revenues and appropriations.

Article 23

- 23.1 If the proposed State Budget is not approved by December 31, the Council of Ministers approves and implements a 3-month budget starting the first day of the new budget year. This budget is implemented with the purpose:

- a. To provide expenditures for Budget Institutions to exercise their functions and responsibilities according to the law;
 - b. To fulfill functions and responsibilities of the Council of Ministers and other contractual obligations according to their respective agreements; and
 - c. To develop and implement projects and other services on condition that approved funds for this purpose were foreseen in a provision of the previous year State Budget. However Budget institutions' approved expenditures each month may not exceed 1/12 of actual expenditures the previous budget year, with no financing for expenditures not in the previous budget.
- 23.2 Upon expiration of the three-month period described in article 23.1, expenditures may be made in accordance with special decree of the President of the Republic but not for more than three months. The Parliament must approve the proposed State budget by this period.
- 23.3 If revenues provided by specific legislation do not cover expenditures referred to in article 23.1, the Council of Ministers may borrow funds for current operations, up to a maximum of 1/12 for each month of the total borrowed in the previous budget year.

Chapter III STATE BUDGET EXECUTION

Article 24

- 24.1 After the State Budget is approved, the Minister of Finance shall inform each Government institution, Public Administration institution, Local Government and Judiciary organ, of their approved budgets no later than 20 working days after approval.
- 24.2 Budget institutions defined in article 24.1 shall assign revenue and expenditure allocations in accordance with the approved State Budget to the other budget institutions.
- 24.3 Budget institutions shall be responsible for the collection of all revenues and execution of all expenditures in conformity with the appropriations approved by this law.
- 24.4 Every agency which administers revenue or expenditures shall have a finance office, where finance officer shall be directly subordinate to the head of the agency.
- 24.5 The finance officer shall be responsible for preparation of documents required for financial planning, the annual budget request, and executing the budget. In addition, the finance officer shall maintain a register of all commitments entered into by the agency and its subordinate units in accordance with directions issued by the Minister of Finance.
- 24.6 Within the scope of their functions, budget institution finance and budget officers are responsible for implementation of policies and regulations regarding the State Budget and the local budget, as appropriate. Such responsibility may be delegated as necessary, but delegation shall not relieve the finance officer of ultimate responsibility.
- 24.7 Finance and budget officers are required to observe principles of efficiency, economy and sound financial management in carrying out their duties. In addition, they should ensure that obligations are paid in a timely manner, provided that sufficient funds are available under the relevant appropriation.

Article 25

Government agencies responsible for revenue collection must ensure full and timely collection of amounts payable to the Government according to relevant laws and directives of the Parliament, Council of Ministers, and Minister of Finance. Monies received by the Government must be banked promptly in the Consolidated Fund created pursuant to Article 5.2 of this Law.

Article 26

26.1 Expenditures of each Budget Institution defined in article 24.1 shall be in accordance with fund allocations pursuant to Minister of Finance directives. Allocations shall be determined on the basis of funds available to the Government and shall be communicated to each Ministry at

least ten working days before the start of the period to which they refer. In determining allocations the Minister of Finance may keep a reserve of up to one per cent of all budget funds for unexpected circumstances.

26.2 According to their priorities, Budget Institutions defined in article 24.1 shall allocate funds provided by the Ministry of Finance to budget institutions through the Treasury, in accordance with priorities established by the relevant Minister. All institutions are obliged to respect the budget in their disposition as a maximum limit for the specified budget period.

26.3 Based on fund allocations, Ministries may enter into commitments for the supply of goods and services pursuant to prevailing regulations stipulated by the Minister of Finance. These regulations may exempt commitments on operations, including investment projects that require commitments for a longer period.

26.4 Expenditures and authorizations for future commitments may be effected or used only for the purpose set out in the State Budget and as long as that purpose lasts, but only up to the end of the fiscal year, with the sole exception that payments specified in article 33.1. may be made until the fiftieth day of the next fiscal year.

Article 27

Pursuant to provisions of article 21, when urgent and foreseen requirements for appropriations arise, budget institutions defined in article 24.1 may submit amendment requests to the Minister of Finance. Amendment requests shall state the amount sought and the basis for calculation of this amount according to instructions of the Ministry of Finance.

Article 28

Each budget institution shall report to the Minister of Finance details of its revenues and expenditures in a manner and in accordance with a schedule determined by the Minister of Finance. Likewise, details of transactions of the special funds and local governments shall be reported to the Minister of Finance by the relevant authority. The Minister of Finance shall furnish the Council of Ministers with a report based on these details.

Article 29

29.1 Approved appropriations may be reallocated among Ministries only with the approval of the Council of Ministers. Reallocation under this provision shall not exceed ten per cent in total of the appropriation being reduced.

29.2 With approval of the Minister of Finance, budget institutions defined in article 24.1 may reallocate appropriations among items of expenditure.

Article 30

In the case of the local government budget, powers exercised by the Minister of Finance in the execution of the State budget pursuant to this Law, shall be exercised by the relevant council according to specific regulations.

Article 31

31.1. Before the end of July each year, the Minister of Finance shall submit to the Council of Ministers a review of the status of the State Budget. This review shall include:

- a. An update of macroeconomic and fiscal developments;
- b. Comparative summaries of actual levels of revenues, expenditures, deficit and borrowing compared to levels in the approved State Budget, with explanations of major differences; and
- c. Proposals by the Minister of Finance for any remedial actions.

Article 32

32.1 As a result of the review identified in article 31, the Council of Ministers shall take measures necessary to ensure the budget is adjusted to meet new economic circumstances, and inform the Parliament of such changes.

32.2 When measures identified in article 32.1 require State Budget changes for the use of additional appropriations, this shall be made pursuant to article 22.4.

Article 33

33.1. The authority for expenditure from appropriations under the annual budget law shall lapse at the end of the budget year. Unpaid obligations shall be met from appropriations approved in the budget of the next fiscal year, except when orders have been received before the end of the previous budget year, in which case payment may be made up to and including January 15th of the next fiscal year.

33.2. Revenues received after the budget year shall be recorded as revenues of the State Budget of the next fiscal year, unless otherwise provided by law.

Chapter IV

GOVERNMENT BORROWING AND DEBT

Article 34

34.1. The annual State Budget shall set a limit on the annual increase in total existing government debt, including any overdraft arrangements established pursuant to Article 5.3. Third party debt taken over by the Government shall be included in this limit.

34.2. Loans from the Bank of Albania shall also be submitted to the limit prescribed in the law "No.8269 dated 23.12.1997, On the Bank of Albania."

34.3. The annual budget law shall set a separate limit on total government guarantees in favor of third parties.

Article 35

35.1. The Council of Ministers shall be solely entitled to borrow from any legal entity or individual in compliance with actual laws or other legal decisions. This is the only organism which gives guarantees to National Institutions, other States, or legal entity loans in compliance with actual laws or other legal decisions.

35.2. Special funds and local governments are entitled to borrow only from the Government and these loans shall be made only under specific budget appropriations.

Article 36

36.1. Government debt may be in the form of loan arrangements, securities issues, or records in a book of accounts. Details of security holders shall be maintained on behalf of the Government by the Bank of Albania or may be kept by financial institutions authorized by the Bank of Albania.

36.2. Provisions in the law on securities shall also be applicable, where appropriate, to debt issued in book-entry form.

Article 37

The Consolidated Fund is appropriated to the extent necessary to meet all interest and redemption payments on government debt principal and government guarantees pursuant to terms and conditions previously contracted by agreement of the Council of Ministers.

Article 38

38.1. Within limits set in the annual budget and under general guidelines the Government may approve, decisions regarding government debt and guarantees shall be made by the Minister of

Finance. The Minister of Finance shall represent the Government in all borrowing and guarantee contracts.

38.2. The Minister of Finance shall be allowed to borrow in any form acceptable to him and to lenders and shall be free to choose the type of financial instrument characteristics and conditions. Insofar as these matters may be relevant for monetary policy, the Minister of Finance shall act in consultation with the Bank of the Albania.

38.3 Under written agreement with the Minister of Finance, the Bank of Albania shall provide all services required for the execution of decisions on government debt.

Article 39

39.1 The Minister of Finance shall maintain a record of government debt and guarantees, loans granted by the Government and shall be responsible for their management.

39.2 The Minister of Finance is responsible for the accounting and internal inspection of borrowing and debt transactions made by Council of Ministers.

Article 40

40.1 The Council of Ministers is not permitted to unilaterally modify contractual terms of debt established pursuant to this law, except to offer modified conditions to creditors which shall be validated to the extent individual creditors voluntarily accept them.

40.2 Resolutions by the Government or Minister of Finance on the conditions of any borrowing or guarantee transaction shall be published in the Official Gazette.

Chapter V

BUDGET ACCOUNTING, INSPECTION, AND AUDITING

Article 41

41.1. The Minister of Finance shall issue directions for, and require adherence to standard accounting procedures and reporting requirements for budget institutions, special and extra-budgetary funds and local governments.

41.2. The Minister of Finance may issue different directions for each category of entity.

41.3. All revenues and expenditures shall be recorded in gross terms, regardless of the amounts actually credited or debited to or from the Consolidated Fund.

Article 42

42.1. Ministers are responsible for accounting and internal inspection of the revenue and expenditure transactions of budget institutions defined in article 24.1 and for which they are accountable.

42.2. The Ministry of Finance has the right to inspect the records of revenues and expenditures of budget institutions, special funds, and local authorities. Procedures for inspection are determined by the Minister of Finance. Inspections may be conducted periodically or unannounced any time during the budget execution process.

Article 43

Before the end of each fiscal year the Minister of Finance shall issue instructions to budget institutions for closing and production of final revenue and expenditure accounts.

Article 44

Officers in charge of budget institutions and special and extra-budgetary funds shall prepare revenue and expenditure final statements and submit them to the appropriate Budget institution as defined in the article 24.1, by the first of March.

Article 45

All Budget institutions identified in article 24.1, shall examine and settle final statements of their subordinate units, then consolidate these accounts and prepare final statements of revenues and expenditures within their management scope. Final accounts are to be sent to the Minister of Finance not later than the thirty-first of March.

Article 46

Based on final statements of accounts of Ministries and special and extra-budgetary funds on revenues and expenditures as stipulated in Articles 44 and 45, the Minister of Finance shall examine actual revenues and expenditure items and shall then prepare the final annual statement of accounts of the State Budget by the fifteenth of May.

Article 47

Any monies remaining in a Ministry or budget institution bank account opened by the Minister of Finance, at the thirty-first of December shall be repaid to the Consolidated Fund, unless the Minister of Finance otherwise approves.

Article 48

48.1 The contents of the final accounts document presented to Parliament shall be in accordance with the content and classifications of the State Budget as set out in Articles 19.1 through 19.5. In addition it shall include:

- a. The beginning and end-of-year balance of the Consolidated Fund;
- b. An explanation of major discrepancies;
- c. A report of all government borrowing or other debt management operations; and
- ç. A report of the spending from the reserve provision in the budget, and guarantees granted during the fiscal year.

Article 49

The final accounts of the budgets of local governments shall be prepared by the responsible officer following provisions consistent with those stipulated in Article 48.

Article 50

The Minister of Finance shall present the accounts of the actual revenues and expenditures of the State Budget to the Council of Ministers and Parliament for examination and approval by the end of June.

Chapter VI VIOLATIONS AND PENALTIES

Article 51

If the below mentioned violations do not violate a penal act, they shall be dealt with by administrative action in the following cases:

1. Failure to meet a deadline as established in articles 17.1 and 45;
2. Use of funds against stipulations as established in article 24.7; and
3. Exceeding fund limitations, even when temporary, as established in article 26.1.

Article 52

In addition to indemnity, violations of provisions of article 51 will result in an administrative penalty from 5000 to 50000 lek. The Director of Budget Department of the Ministry of Finance will decide such administrative penalties. Within 5 days from the announcement of punishment, the infringer may grieve to the Minister of Finance, who will make a final decision within 10 days. A complaint against the decision of the Minister of Finance must be presented to the

Court within 10 days. Procedures, terms, ascertainment, examination and execution of administrative penalties will be in accordance with Law no. 7697 dated 7 April 1993 for “Administrative Contravention”

Article 53

The Minister of Finance may issue orders, instructions and regulations for implementation of this law.

Article 54

The Law No. 7616 dated 30.09.1992 for approval of changes made at decree no.266 dated 22 July 1992, for “Preparation and Execution of the State Budget of the Republic of Albania” and other by laws that are against this law are hereby abrogated.

Article 55

This law is effective 15 days after its publication in the Official Gazette.

HEAD OF PARLIAMENT

Skender Gjinushi

Translated by Anduena Shkurti, September 1, 1998 and
edited by Regis Chapman for the US Treasury Department.