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ANNUAL BUDGET PREPARATION

TRAINING MANUAL FOR LOCAL GOVERNMENT OFFICIALS

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FOR LOCAL GOVERNMENT OFFICIALS

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Abbreviations

AB	Annual Budget Preparation
ABEM	Annual Budget Execution and Monitoring
BRF	Budget Request Form
CIP	Capital Investments Plan
DCM	Decision of the Council of Ministers
FPT	Financial Planning Tool
GLP	General Local Plan
LGU	Local Government Unit
MFE	Ministry of Finance and Economy
MTBP	Medium Term Budget Program
SDP	Strategic Development Plan
SMG	Strategic Management Group
TDS	Territorial Development Strategy

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Glossary

Budget	“Budget” means the entirety of planned revenues, receipts and expenditures of local self-government units, approved by the council of the local self-government unit.
Local budget	<i>Local budget</i> includes all revenues, expenditures and financing of the local government unit. As part of this, the local budget comprises a reserve and an unallocated emergency fund.
Budget year	The budget year, for all levels of government, starts on the 1 st of January and ends on the 31 st of December of each year.
Local self-government units	<i>Local self-government units</i> are the municipalities and regions, as defined by the Constitution and the Local Self-Government law.
Local self-government unit’s council	<i>Local self-government unit’s councils</i> are the representative bodies of municipalities and regions, as defined by the Constitution and the Local Self-Government law
Reserve fund	The <i>reserve</i> fund is a fund created to finance non-permanent and contingent expenditures in the budget preparation stage. This fund may be used with the approval of the local government unit’s council.
Contingency fund	The <i>contingency fund</i> as part of the budget is created and used in case of failure in revenue raising.
Total revenues	<i>Total revenues</i> are the sum of the revenues collected from all sources: own-source revenues, revenues from intergovernmental transfers and other transfers, local borrowing.
Own-source revenues	<i>Own-source revenues</i> include all types of revenues generated and administered at the local level, under the authority of local self-government units, following the applicable legislation. Local self-government units collect or earn revenues from (i) local taxes, (ii) fees, (iii) assets and various economic activities, and (iv) donations.
Local taxes	The <i>local tax</i> is a mandatory and non-refundable payment in the budget of local self-government units, regulated by law and paid by every natural or legal person to contribute to the financing of the local government.
Current own-source revenues	<i>Current own-source revenues</i> include the revenues from the so-called “current” taxes and fees: with the exemption of the temporary taxes, revenues from selling of local assets (with a lifespan longer than 1 year), and donations.
Local tax for small businesses income	Every entity, which conducts a business, through which a turnover of less or equal to All 8 million is realized during the fiscal year, is subject to payment of the simplified income tax for small business. ¹ The gross incomes entail every type of income during a fiscal period, and include, but are not confined to: income from supply with goods

¹ Amended by the law no. 142/2015, date 17.12.2015. This law was published in the Official Journal no. 252, on 22.01.2016, where it states that, “small businesses that have a turnover between five to eight million LEK should pay a rate of 5% of their income as the simple tax on businesses income. As for small businesses that have a turnover below 5 million LEK, they are exempt from this tax (a rate of 0% of their income).”

	and services, income from various participations, income from interest fees, income from the usage of movable and immovable property.
Tax on immovable property	Every legal entity or physical person, native or foreigner, owner or user of the immovable property in the Albanian territory, is subject to taxes on immovable property regardless of the level of exploitation of these properties. The only exemptions are those cases provided by the pertaining law. The tax's liability rests on the owner or the co-owner, respective to his/her share, or on the user of the immovable property, in case of missing ownership documents. Taxes on immovable property include: (i) taxes on buildings; (ii) taxes on agricultural land; (iii) taxes on land plots.
Tax on agricultural land	This tax base is determined by the agricultural land surface in hectares, owned or used by the taxpayer. The surface of this land is determined according to the respective property documents. In case the latter are missing, the user of the agriculture land signs a self-declaration form at the pertaining municipality regarding the surface of this land. Vineyards that have been tilled for less than 5 years, are exempt from this tax.
Tax on buildings	This tax base is determined by the construction area in square meters of the building or its part, above and underground, and for each floor. The area owned by the taxpayer is determined according to the relevant property documents. In case the latter are missing, the user of the building signs a self-declaration form at the pertaining municipality regarding the construction area. This tax also applies to the owners of buildings in "tourist villages". The area of these buildings, whether owned or used, is determined according to the relevant property documents. All the revenues generated from this tax belong to the municipality where this tax is collected.
Tax on land plots ²	The <i>land plot</i> is non-agricultural land, which sits within the territory set for construction, as provided by the legal documents of the zoning process. The tax base over land plot is determined by the size of the land plot in square meters, which is owned or used by the taxpayer. The area of the land plot owned by the taxpayer is determined according to the relevant property documents. In case the latter are missing, the user of the land plot signs a self-declaration form at the pertaining municipality regarding the land plot area. This tax is collected by of the municipality on whose territory this land is located, and it belongs to the local budget.
Local tax on hotel service activities	The term "hotel" entails every activity that provides short-term paid lodging and includes the labels hotel, motel, pension, cottage, lodge, resort, and so on. The basis of the local tax on hotel is the number of nights spent by each guest in the hotel. The tax amount is calculated as the product of the rate per 1 night per guest, as determined by the municipality, and the number of nights spent by each guest in the

² Introduced as part of the local taxation with the amendments of the law no. 142/2015, approved on 17.12.2015.

	<p>hotel. The tax liability rests on the client that resides in the hotel and it is collected from the latter on behalf of the pertaining municipality. The tax amount is indicated on the invoice of the hotel.</p>
<p>Tax on infrastructure impact of new buildings</p>	<p>The tax on infrastructure impact form new buildings is a tax paid from public or private subjects for the provision of new infrastructure or rehabilitation of existing ones for this new premises. is The tax base is either the economic value of the new investment or the latter's price per square meter. In cases of residential buildings or commercial units, which are not designed to be used for touristic, industrial or public purposes, the tax on infrastructure impact varies between 4-8% of the price per square meter. The tax base for residential buildings and commercial units is the price per square meter of the new building. This price is set accordingly to the referred value, approved annually by the Council of Ministers through the directive "On the approval of the average costs for residential buildings' construction according to the guidelines of the National Estate Organization." As for the construction of infrastructure projects, e.g. national highways, ports, airports, tunnels, dams, energy sector infrastructure, including machinery and equipment for these projects, the tax on infrastructure impact of these new constructions is 0.1% of the investment value, but cannot be less than the rehabilitation cost for damaged infrastructure, when the latter is not included in the investment's plan. On the other hand, buildings, which are going through the legalization process, are taxed at a rate of 0.5% of the investment value.</p>
<p>Tax on transfer of the ownership rights of immovable property</p>	<p>The tax on transfer of the ownership rights of immovable property is levied on all buildings and immovable properties at the moment of the transfer of the ownership rights. This tax is paid by the person who transfers the ownership right before registering it according to the relevant legal framework. The tax basis for the transfer of property rights for buildings is the surface of the building whose ownership is being transferred. The tax rate is determined by the amount of LEK per square meter, while the total amount is the product of the tax rate and the tax base.</p>
<p>Fees for the occupation of public spaces and facades</p>	<p>Local self-government units impose fees for the occupation of public spaces and facades as follows:</p> <ol style="list-style-type: none"> a) using of space in public areas or in front of business premises for business purposes, including outdoor tables for cafes and restaurants; b) using advertising billboards; c) using parking spaces for motorized vehicles; d) using areas for camping, setting up tents or other facilities for temporary use; e) using waterfront areas for business and any other purposes; f) keeping and using navigable equipment and vessels, and other facilities in rivers and lakes, save boats that are used by certain

	<p>organizations for the maintenance and indication of waterways;</p> <ul style="list-style-type: none"> g) occupying space by restaurants and other catering and entertainment facilities on rivers and lakes; h) using public space for parking motorized vehicles and trailers excluding agricultural vehicles and machinery; i) using public space for keeping construction material; j) using the right to place commercial signboards placed outside the business premises on facilities and areas owned by the local self-government unit (roadways, pavements, green areas, poles, etc.); k) using public space subject to a local fee that may be set with a decision of the local self-government unit council.
<p>Temporary tax</p>	<p>The Council of the local self-government unit has the right to impose temporary taxes for the provision of specific services and public investments, for a limited period of time. The establishment of a temporary tax shall be proceeded by the development of a plan that, as a minimum, clearly indicates the following: (i) the specific service or public investment that shall be financed from the temporary tax; (ii) the duration of the temporary tax, which however, cannot exceed a period of three years from the entry into force, and the amount of revenue expected to be collected; (iii) the cost and timing for delivering the service or finalizing the investment, including the part that shall be financed from the temporary tax and the municipal budget. This plan shall be presented to the public in at least three public hearings conducted over a period of no less than five months. After these public hearings, the plan must be approved by the Council of the local self-government unit. The tax rate for temporary taxes shall not exceed the limit of 35% of the tax base. Local self-government units may not adopt more than two temporary taxes within the same budget year. Revenues from temporary taxes shall only be spent on the purposes defined by the decision of the council of the local self-government unit that approves the tax, and shall not be considered as current revenue in calculating debt limits of local self-government units.</p>
<p>Local fees</p>	<p>Local self-government units may impose fees for a service provided or a right given to individuals, physical and legal persons. The applied level of fees should be oriented at services cost recovering. Local self-government units may impose fees only for those services, whose consumption or benefit is in principle measurable and attributable to users or beneficiaries, using appropriate instruments to ensure access, quality and affordable costs from everyone.</p>

Utility fees	Local self-government units propose or approve fees for solid waste collection and disposal, and for water supply and sewage treatment. The level of fees for local utility services shall aim to cover costs and shall be directly proportional to the consumption of individuals, and physical and legal persons. The regulations that determine the fee level are prescribed by the council of the local self-government unit. The authorities of the central government in charge of the national policy of these functions may recommend more detailed guidelines for the determination of fees.
Local fees for administrative services	The local self-government unit council may charge fees for the issuing of official documents by the local self-government unit. If the allowable level of these fees is not specified in other legislation, then these fees must reflect the actual costs of the service for which they are being paid.
Revenues from assets and economic activities	Local Governments may earn revenues from the rental or lease of locally-owned assets as prescribed by the applicable legislation. Revenues from the rental of municipal properties shall be considered current revenue and may be spent on any authorized expenditure in the budget. Revenue from the economic activity of local self-government units, as well as dividends pertaining to the local self-government unit from publicly owned but commercially run enterprises, with the exception of revenues from the waste collection and disposal and water supply, are transferred to the general budget of the local self-government unit.
Revenues from shared taxes	<p>Shared taxes are national taxes, whose revenues are split between central and local governments, according to the relevant legislation. The following national taxes are shared with local self-government units:</p> <ol style="list-style-type: none"> a) 97% of revenues from the property transfer tax imposed on individuals, physical and juridical persons; b) 25% of revenues from the used vehicle circulation tax; c) 5% of revenues from the mineral rent as sanctioned in the law “On National Taxes”; d) 2% of the yield of the Personal Income Tax.
Revenues from intergovernmental and other transfers	Local self-government units receive from the central government: (i) unconditional transfers, (ii) conditional transfers, and (iii) revenues generated from the shared taxes and fees. Local self-government units have full autonomy in using the unconditional transfer and revenues from shared taxes, while the conditional transfer is used for the purpose and in the manner determined by the entity that gives the transfer.
Unconditional transfers	The unconditional transfer from the state budget is given to local self-government units to finance their functions and competencies as defined by law. The annual size of the unconditional grant to be allocated to local self-government units shall be no less than 1% of the Gross Domestic Product, as projected in the Report on

	Macroeconomic Forecasts and Estimations adopted by the Council of Ministers. In every case the size of the unconditional transfer cannot be smaller than the sum allocated the previous budget year.
Conditional transfers	Conditional transfers are granted for: a) delegated functions to the local self-government units; b) special projects that serve the national or the regional interest and require the cooperation with the central government. The annual funds, that are distributed in the form of conditional transfers, must be planned beforehand in the central government's Medium-Term Budget Program (MTBP). The criteria and the procedures for the distribution of these funds are specified together with the annual budget law.
Specific transfers	Specific transfers provide local self-government units with funding for: a) financing new functions transferred to local self-government units for a transitory period until an equivalent and stable funding scheme is put in place; b) financing services in cases of emergencies or similar situations when there is a national interest and cooperation with local self-government units is required. Local self-government units may carry over to the next year's budget the unspent resources from specific transfers.
Local borrowing	Local self-government units have the right to borrow in the short and long term, in accordance with the legislation governing the budget management system, local borrowing, and local finances. The Ministry of Finance can request an external and independent audit of the books and accounts of the local self-government unit before approving a long-term loan.
Expenditure	"Expenditure" is the reduction of net wealth, which ends with the realization of current or capital payments, irrevocable, with or without return obligation. More simply, in the local governance context, expenditures mean spending money for current or investment purposes.
Medium-term budget program	The MTBP is a three-year budget spending plan, through direct linking of programs to activities, objectives and policy goals.
Budget program	"Budget program" is a set of actions of the general government unit, which are administered effectively and contribute together in the production of identifiable and measurable products that help directly or indirectly in achieving the objectives and goals of budgetary policy thereof. In the context of Albanian LGUs, a program is defined as a sub-function at the third COFOG level.
Budget commitment	Budget commitments are financial obligations, in writing, by entering into a contractual relationship.
Authorizing officers	An 'authorizing officer" is an officer of senior management of the public unit; they are responsible for the financial management and control, in all the structures, programs, activities and processes managed by them.
Executing officer	"Executing Officer" is an officer of the management level of the unit, who is responsible for carrying out financial management operations,

including accounting and the preparation of the financial statements in the unit; he reports to the authorizing officer of the unit.

Budget classification

Budget classifications are approved by the Minister of Finance in accordance with international standards. Budget classifications include, at a minimum: a) administrative classification, representing the classification of general government units up to spending unit level; b) economic classification, representing the classification of transactions by economic nature; c) functional classification, representing a detailed classification in accordance with economic and social functions or objectives that general government units aim to meet /reach.

PREFACE

The manual on Annual Budget Preparation (ABP) for Local Government Officials is part of a series of training modules designed to respond to training needs of local government officials on public financial management practices. It is the result of intensive efforts of several authors coming from different backgrounds. This manual, together with the manual on “*Annual Budget Execution and Monitoring (ABEM)*” and “*Strategic Development Plan and Performance Based Budgeting in the Medium Term (SPDeMTBP)*”, is based on an initiative undertaken by HELVETAS Swiss InterCooperation in Albania, under the Decentralization and Local Development Program (dldp). The preparation of the document has benefited from the consultations with various institutions, particularly with the Ministry of Finance, the Minister of State for Local Issues (up to the first part of 2017), and local government officials. The manual was designed and prepared by the staff of Co-PLAN and dldp, who benefited substantially from the international experience and technical expertise of Prof. Stefan Pfaeffli from the Lucerne University of Applied Sciences and Arts. The elaboration and publication of the training curriculum were made possible thanks to the financial support of SDC, the Swiss Agency for Development and Cooperation.

Aiming to provide a general theoretical framework and a practical guide on public financial management for local governments in Albania, five training modules with five training manuals are prepared:

Training Module I	Manual on “Strategic and Financial Planning in the Medium and Long Term”;
Training Module II	Manual on “Strategic Development Planning and Performance Based Budgeting in the Medium Term”;
Training Module III	Manual on “Annual Budget Preparation”;
Training Module IV	Manual on “Annual Budget Execution and Monitoring”
Training Module V	Manual on “Financial Planning Tool”

For each of the training modules, participants will be provided with all the respective training materials which include the training manual, presentations and exercises planned to be carried out during the trainings.

This publication is part of an enduring support intervention, as the first report, prepared by Gjika, Kokona, & Mihali on the subject goes back to 2012. During the conceptual and the design phase, the authors conducted extensive research in the field of Public Finance Management (PFM) and consulted several renowned experts. The current version of the Manual on ABP has been updated to the latest changes of the legal framework and it reflects strategic documents and guidelines of the Ministry of Finance and Economy of Albania. The training program also incorporates the changes of the legal framework on local self-governance and of the legal framework on local self-government finances.

From a methodological standpoint, the training modules on the ABP and ABEM are designed to support interactive trainings, i.e. the trainees are supposed to participate actively. This implies that the training alternates between theoretical sessions held by lecturers and problem-solving sessions, which require group work, presentations, and discussions. At the end of the training, the participants are asked to continue their work and prove that they are able to solve the assigned case studies. The case studies reflect specific situations identified either by the authors of the training curriculum or by the local officials. It is expected that for each training day, the participants of the trainings dedicate at least two to three days of extra work to prepare and complete the given cases.

The trainings as per the manuals of: “Strategic Development Planning and Performance Based Budgeting in the Medium Term”, “Annual Budget Preparation” and “Annual Budget Execution and Monitoring” are prepared in particular for officials of local governments, who deal with taxation issues, fiscal policy design, budget drafting, and for the heads of various programs, for interested members of the local council (e.g. economic committee), and for all other interested officials of the local governance units.

1. BUDGETING AT THE LOCAL LEVEL

1.1 The importance of the budget

The budget preparation process represents an essential step for every administration, central or local, public or private. All self-governing units in the Republic of Albania, are obliged to prepare and approve their annual budget, as specified by the article 41 of the law no. 139/2015 “*On local self-government*”, in accordance with the law no. 9936/2008 “*On management of budgetary system in the Republic of Albania*”, the law no. 68/2017 “*On local self-government finance*”; in addition, budget instructions of the Ministry of Finance, temporary and permanent, must be followed.

The local budget is the most important tool to manage the local public finances; it connects the policies with the priorities within the given financial constraints for public expenditures for the coming year. The annual budget is directly related to the Medium-Term Budget Program (MTBP), as it represents the first year of the MTBP. Preparing meticulously the budget is the starting point for the successful execution of the annual budget.

Two modules are concerned with the annual budgeting process. The first module is dedicated to “Annual Budget Preparation” (ABP); and the second to “Budget Execution and Monitoring” (BEM). The two training modules aim to acquaint staff and authorities of local governments with the most effective methods and applications of local financial management, which are necessary to plan, spend, and monitor the local finances in the short term. More precisely, the main goals of the two training modules are:

1. Revising and improving financial management practices used for budget preparation, execution and evaluation at municipality level;
2. Providing detailed guidelines on key public finance management sequences with respect to the preparation, execution, and evaluation of the budget;
3. Clarifying and delineating the roles and the responsibilities of the local government council and of the other actors involved in the budgeting process;
4. Offering orientation and guidelines on how to include interest groups from the business sector and society in the processes of budget preparation, execution and evaluation.

The law no. 9936/2008, “*On management of budgetary system in the Republic of Albania*”, as amended³, is the basic law on the management of the budgetary system in the Republic of Albania. This law applies to all levels of government and determines the basic rules for the preparation, the examination, and the execution of the budget. It is the basis of the legal framework that regulates budget execution and revision, borrowing, controlling, accountability and democratic oversight, reporting, and auditing. In addition, the law no. 10296/2010 “*On financial management and control*,” as amended, delineates the principles, rules, procedures, administrative structures, and methods for financial management including the controlling of

³Amended by the law no. 114/2012 and by the law no. 57/2016.

public institutions, the responsibilities of management regarding budget planning, execution, controlling, and reporting, in order to satisfy the three main principles of public finance management:

- Maintaining fiscal discipline;
- Distributing resources in accordance to the government's priorities;
- Ensuring the efficient supply of services.

Budgeting is understood as a cycle, where the starting point is the strategic planning of the policies. In the next step, this strategy is translated into the budget, which must be prepared first and then executed. The last stage of the cycle addresses evaluation and monitoring. The first step, strategic development planning, was already discussed in earlier publications of the dldp, such as that of Gjika, Kokona, & Mihali (2012) and Pfaffli (2013). These publications demonstrate how to prepare a Strategic Development Plan (SDP), and how the SDP might be translated to an MTBP. Therefore, SDP and MTBP preparation are left out in the ABP and BEM training modules. These two modules put the emphasis on the preparation of the annual budget, and on important processes of budget execution, monitoring, reporting and evaluation.

1.2 Budget Features

To comprehend the budget process, it is important to understand correctly the definition of the term “budget”. The law no. 9936/2008, “*On management of budgetary system in the Republic of Albania.*”, through its amended article 3, it defines budget as the “*the set of revenues, expenditures and financing of central government, local government and special funds, which are approved by law from the Assembly or by decision of councils of local government units.*” According to the article 6, the local budget “*includes all the revenues, expenditures and financing of the local government units.*” The same definition can also be found in the law no. 68/2017, “*On local self-government’s finance.*” The local budget is approved by the local government council in its annual budget session.

The local budget comprises a reserve and an unallocated emergency fund. For this position, there is an upper limit of 3% of the total value of the approved funds, save conditional transfers. The local budget should be balanced with exception of the cases when loans are taken to finance capital expenditures. The fiscal year, for all levels of government, starts on the 1st of January and ends on the 31st of December of the respective year.

The budget as a process

The preparation of the annual budget goes beyond the simple calculation of revenues and expenditures for a given year. The local government budget represents a financial plan for the council of the LGU and the taxpayers. We estimate revenues per source and make expenditure projections for the upcoming year, in order to perform the necessary functions of the local government.

Seeing the budget as a financial plan implies that its process must go beyond the mechanical planning of revenues and expenditures for the upcoming year. In addition to the evaluation and estimation of revenues and expenditures, the budget must contain qualitative elements that delineate the general perspective for the future development of the local government unit, i.e. strategic objectives or a vision should be shown as explanatory information in the budget. It is essential that a municipality manages to implement its strategic development projects step by step through the annual budget despite of the fact that the financial resources are limited and fiscal discipline must be observed.

Every budget is (or should be) a declaration of the respective community’s goals. The allocation of the resources among different functions reflects both the particular goals that local government hopes to achieve and the relative priorities attached to those goals. Furthermore, the budget represents the political philosophy of the local elected officials. By earmarking funds for certain activities and by reducing or omitting funds for others, the policymakers indicate those services, which the government will (or will not) attempt to provide. The distribution of the financial resources is the final product of the interaction between the approved goals of the municipality and the community’s expectations. To summarize, the budget serves as a statement of the community’s goals and reveals the preferences of the elected

officials; from the budget, we can also see to what extent resource allocation responds to the needs and expectations of the community.

The budget as a policy instrument

The budget document is in one sense the fruit of the budget process. Since it is a tangible result of the local policy decisions, one may be tempted to see the budget document as the end-product, resulting from extensive consultations with various actors. As previously noted, however, the budget is not only a document but also an effective policy instrument. This implies two things: the budget is a means for enforcing policies and it is the financial method needed to enable the implementation of policy decisions. The first of these functions is accomplished through earmarking of the local government resources. That process uses the budget as an instrument for translating community goals into local government programs. The second function, the implementation of policy choices, uses the budget to ensure that programs of government address these goals.

The budget as a management tool

A good government does not run by itself — it must be managed. For countless reasons, local governments have been forced to "make do with less". Given this situation, few local officials can afford the luxury of sitting back and formulating policies, and then letting others worry about their implementation. The local policymaker has to be an effective manager as well. The budget is probably the most important managerial tool available to local governments. For this reason, almost every action of local government is reflected in the budget and all the activities of local governments must be part of the budget and financed by it.

2. THE BUDGET PROCESS

Objectives

Participants of the training module:

- are informed about the legal framework for local budgeting and evaluation;
- can understand the process and the steps to be undertaken for budget planning;
- are familiar with good budgeting processes and practices;
- are aware of roles of each actor in the annual budget planning including preparation and adoption, i.e. the role of the head of the local unit, of the local council, of the department of finance, the line departments, etc.

Participants are encouraged to play an active role in the course especially during the group works and discussions on innovative budgeting practices.

Content:

- 2.1 Introduction into the budget preparation process
- 2.2 Legal framework for budget planning in Albania
- 2.3 Drafting the MTBP and the annual budget proposal
 - 2.3.1 The MTBP's working group and calendar
 - 2.3.2 Revenue forecasting
 - 2.3.3 Expenditures forecasting
- 2.4 Preparing the annual budget proposal
- 2.5 The link between MTBP and the SDP

2.1 Introduction into the budget preparation process

It is the objective of local government units to contribute to the stable economic and social development of the local unit and ensure satisfactory local public services at the lowest possible price for all categories of taxpayers.

Setting up the process for budget planning is a preliminary condition to make the Public Finance Management (PFM) cycle operational. The Chairman of the local government unit is directly responsible for planning the local budget process, as laid down in the article 7 of the law no. 68/2017, “*On local self-government finance*”, which states that “*The Chairman of the local self-government unit proposes to the council the strategic development priorities of the unit, the local fiscal policy, the medium-term budget program and the annual budget, local borrowing, and the rules, procedures and measures necessary to ensure the sustainability of the financial management system of the unit.*”

The local budgeting process is complex and requires the preparation of a number of documents according the pertaining law and several employees of the local self-government unit are required to conduct the budgeting process, based on the provisions in the laws regarding local governance and the standard guideline on the preparation of the MTBP for the LGUs. The preliminary phase, which has an organizational character, requires: (i) establishing the working group (Strategic Management Group, SMG) and the thematic working groups (Program Management Teams, PMT); (ii) specification of local policies for each budgetary programs; (iii) revising the financial framework and local fiscal policy; (iv) ranking the priorities and assessing their relation to the budget programs and functions; (v) preparing and submitting for approval a budget calendar. When the calendar is approved, “*The Chairman of the local self-government unit submits the calendar for the preparation of the medium-term budget program and of the annual budget to all subordinated spending units.*”

The budget process is a very important component of the financial management cycle. This cycle considers revenues and expenditures regardless of their nature and source. The Strategic Development Plan (SDP) or the Territorial Development Strategy (TDS) — as part of the General Local Plan (GLP) remain the main references to be considered on the “policy” and ‘strategic’ aspects. Following that, planning of revenues becomes essential by assessing the available resources of local government units (LGUs) in both, the short and medium-term. The SMG relies on this forecast for their evaluations of the program ceilings for the Medium-Term Budget Program (MTBP) period, taking into consideration the program needs and priorities, and the requirements for new projects/products in the medium-term period. Under a limited budget, they should try, at least, to preserve the parameters of the previous year (base year). Moreover, the budget planning process includes the estimation of revenues of the local government for the planning period, budget balancing, and distribution of the resources to programs in accordance with strategic goals and current needs. It is crucial to pay attention to the efficient processes of service delivery since budget preparation.

2.2 Legal framework for budget preparation in Albania

The legal framework for local budget preparation comprises several laws, decisions of the Council of Ministers (DCM), instructions, among which are:

- Law no. 68/2017 “*On local self-government finance*”
- Law no. 139/2015 “*On local self-government*”
- Law no. 9632/2006 “*On the local tax system in the Republic of Albania*” with the respective amendments
- Law no. 9936/2008 “*On management of budgetary system in the Republic of Albania*”
- Law no. 10296/2010 “*On financial management and control*”
- Law no. 9869/2008 “*On Local government borrowing*”
- Ministry of Finance and Economy Instruction (2018) “*On standard procedures for the preparation of the Medium-Term Budget Program of the Local Government Units*”
- Ministry of Finance Instruction no. 10/1 of 2017 “*On annual budget preparation*”
- Other laws and sub-legal acts

Law no. 68/2017 “On local self-government finance”

This law clearly defines the rules, principles and procedures of financing of local self-government units, including own source revenues from local taxes and fees, shared taxes, intergovernmental transfers, and other revenues as prescribed by law; it sanctions for the first time the basic regulations for determining the size and allocation of intergovernmental transfers; it defines policies, instruments and procedures for the management of local public finances.

The purposes of this law are:

- To provide for the financing of local self-government units in accordance with the principles of local autonomy articulated in the Constitution of Albania, the European Charter of Local Self-Government and the Law on Local Self-Government-
- To guarantee the transparency and predictability of intergovernmental transfers to local self-government units.
- To ensure the adequacy of financial resources to local self-government units for the financing of their functions and competences.
- To guarantee the fiscal autonomy of local self-government units by regulating their powers to set and collect local taxes and fees.
- To contribute to the sustainable economic, social and territorial development by defining an effective mechanism for fiscal equalization.
- To set rules that ensure fiscal discipline and sustainable and transparent policies for the management of public funds, including regulations for realistic forecasting of revenues and expenditures.

- To set rules for the allocation of the local financial resources in accordance with local strategic priorities and local community needs.
- To ensure gender equality regarding spending purposes of the LGUs.
- To define instruments and procedures for the management of local finances and regulate the relationship of local self-government units with the central government in this field.
- To enable the continuous consultation between central and local self-government units, through the prescribed instruments of consultation, analyzing the adequacy and stability of local financial resources for the achievement of the purposes prescribed in law.

Law no. 139/2015 “On local self-government”

Following the territorial administrative reform, the Parliament of the Republic of Albania passed the law no. 139/2015 “*On local self-government*”, which replaced the law no. 8652/2000 “*On organization and functioning of local government*,” as amended. This law regulates the organization and operation of the local self-government units in the Republic of Albania and defines the functions, powers, rights, and duties of such units and the bodies thereof. Among other novelties, we can mention the removal of the concept of shared functions, allowing the exercise of local and delegated functions only. Local self-government units exercise their functions and competencies “*. . . in full effect and free from outside control, in accordance with the Constitution, the European Charter of Local Autonomy and the laws in force*” (Article 22/1). “*Respecting the national and regional policies*” (Article 22/2); and “*in cases where local self-government units lack sufficient funds or resources to meet the national standards and norms, central government shall provide them with the necessary financial support.*” (Article 22/3).

The law no. 139/2015 “*On local self-government*” is guided by the subsidiarity principle⁴, and thus has transferred or delegated a number of functions, which have important and direct consequences on the quality of life of the community, to levels of government closer to the citizens. The delegated functions must be exercised “*as per the legislation in force*” (Article 22/4). “*Central government shall provide it with sufficient financial means and resources to exercise such functions in the manner and at the level or standard defined by law*” (Article 22/5). In addition, the local government units, on their initiative, can use extra financial resources “*with the aim of improving services in the interest of the community*” (Article 30/7).

Law no. 9632/2006 “On tax system,” as amended

The law no. 9632/2006 “*On tax system*,” as amended, aims to define the rules regarding rights and duties of local governments to raise, collect and administer local taxes. The latest changes

⁴ “Subsidiarity“ is the principle of performing the functions and exercising the powers at a level of governance closest to the citizens by taking into consideration the importance and the nature of the commitment and cost-effectiveness requirements.

to this law were applied through the law no. 142/2015, where among others, it is worth mentioning the introduction of the tax on land plots, the changes of the tax rate applicable to small businesses' profits, the substitution of the tax on occupation of public spaces with a fee, etc.

Law no. 9869/2008 “On local government borrowing”

The law no. 9869, date 4.02.2008 “*On local government borrowing*” aims at expanding local autonomy through regulation of local government borrowing and the creation of appropriate opportunities and rules to ensure a transparent borrowing process in compliance with overall development policies and which ensures macroeconomic stability and credibility of public institutions in financial markets. This law permits local governments to seek short or long-term loans to finance capital investments, refinance outstanding long-term indebtedness, or bridge liquidity shortages. Local governments can obtain lines of credit at a fixed or variable interest rate, in local or foreign currency. The local government may incur long-term debt pursuant to a resolution adopted by the council of the local government and approved by a majority of the members of the council at a meeting of the council that is open to the public. The Ministry of Finance must be informed within 10 days from the approval of the resolution, and the LGU needs the confirmation of the Ministry whether the resolution is in accordance with the legal procedures and established debt ceilings. A local government may incur short-term debt, upon the approval in principle of the local council, referring to the current fiscal year. Within short-term debt limitations defined in this law, the council defines the actual limit, within which the Mayor of the local government is authorized to issue short-term debt case by case.

Law no. 9936/2008 “On management of budgetary system in the Republic of Albania”

Law no. 9936/2008 “*On management of budgetary system in the Republic of Albania,*” as amended, regulates the budget system in the Republic of Albania, the structure, principles and fundamentals of the budget process, intergovernmental financial relations and responsibilities for implementing the budget legislation in general. This law shall be applied by general government units (central, local and special funds) at all stages of the budget process, which mean: (i) the preparation, examination, and approval of the budget; (ii) the implementation, monitoring, and review of the budget; (iii) borrowing rights and restrictions, guarantees, and other forms deriving from them; (iv) the control, accounting, reporting, inspection and audit of the budget.

The principles on which the budgetary system in Albania functions, include: (i) transparency, intentionality, inclusiveness, unity, and uniformity in the management of the budgetary system and special funds; (ii) fiscal discipline, in line with macroeconomic stability and durable economic and social development; (iii) allocation of resources pursuant to the strategic objectives set by the Council of Ministers; (iv) effective and efficient use of the public resources; (v) clear responsibility sharing for the operational management; (vi) enforcement of

the integrality of the process; (vii) gender equality, which refers to the situation where men and women enjoy equal access, rights, and benefits.

Ministry of Finance and Economy Instruction (2018) “*On standard procedures for the preparation of the Medium-Term Budget Program of the Local Government Units*”

Ministry of Finance and Economy Instruction “*On standard procedures for the preparation of the Medium-Term Budget Program*” serves as a permanent guideline for the preparation of the MTBP. Based on the law no. 9936/2008 “*On management of budgetary system in the Republic of Albania*” and on this instruction, the Minister of Finance issues annual instructions for drafting medium-term budgetary requests where there are mainly defined the ceilings of approved expenditures by decision of the Council of Ministers. This is relevant to the local authorities since levels of transfers are defined.

Law no. 10296/2010 “On financial management and control”

This law sets the rules, procedures, administrative structures and methods with regard to the financial management and control within the public units in the Republic of Albania, as well as managerial responsibilities for planning, implementation, budget control, accounting and reporting. The purpose of this law is to ensure an efficient, effective and economic use of the public resources, by upholding the principles of transparency and lawfulness and avoiding waste, misuse and embezzlement of assets. This law is applicable for the general government units (local, central and special funds), commercial companies, nonprofit organizations and joint authorities which are owned, controlled, funded, or given financial guarantee from a general government unit, and other units spending public funds based on an international agreement regarding these funds.

2.3 Drafting the MTBP and the annual budget proposal

Based on the existing Albanian legislation, the annual budget proposal constitutes the first year of the Medium-Term Budget Program (MTBP). Therefore, the annual budget preparation is part of the preparation of the MTBP. In order to create a clear framework, we will discuss briefly the steps to be taken for the preparation of the MTBP, as specified in the law no. 68/2017 “*On local self-government finance.*” Furthermore, we need to consider the provisions established by the instruction of the MFE regarding standard procedures on the preparation of the MTBP of the local government units.

2.3.1 The MTBP's working group and calendar

During the drafting of the MTBP, the Chairman of the local government unit is assisted by the authorizing officer as the coordinator of the Strategic Management Group (SMG) and the executing officer as the secretary of this group.

Who is the authorizing officer and the executing officer?

The article 21/c of the MFE Instruction (2018) “On standard procedures for the preparation of the Medium-Term Budget Program of the Local Government Units,” states that, *“The head of the local self-government unit is usually the authorizing officer of the local self-government unit, who is responsible for the implementation of financial management and control in all budget structures and programs, including planning, implementation, monitoring of risk controls related to budget implementation, financial accounting and reporting, and is also responsible for approving and following up the rules and procedures to be followed in budget requests’ preparation process in accordance with the requirements of the standard guideline and annual guidelines for medium-term budget program preparation.”*

The head of the local government unit *“can delegate this competence, in writing, to one of the deputy mayors of the local government unit.”*

The authorizing officer is the coordinator of the Strategic Management Group. Alongside the authorizing officer of the unit, according to the standard instruction on the preparation of the MTBP, *“is the administration employee of the local government unit of the highest management level for finance within the local government unit appointed by the Authorizing Officer and who is directly subordinated to the latter. Depending on his/her position in the central administration of the local government unit or the (subordinate) spending unit, he/she reports directly to the authorizing officer of the local government unit or the second-level authorizing officer.”* During the preparation of the MTBP, the implementing officer is the secretary of the SMG of the LGU.

From the operational standpoint, the process starts with the establishment of the working groups, the Strategic Management Group (SMG), and Program Management Teams (PMT). The SMG and PMT can be established with an internal order of the authorizing officer of the local government unit, or through two different decisions. In addition to the fulfillment of the legal procedural requests on the preparation of the budgetary documents, the membership of the SMG is of utmost importance. Based on the provisions of the point no. 30 of the guideline on standard procedures for local government units’ MTBP preparation, regardless of the organization of the pertaining LGU, the following structures must be represented in the SMG while other structures may also be included:

- Responsible structure for economic development;
- Responsible structure for finance and budgeting;
- Responsible structure for urban planning;
- Responsible structure for public services;

- Responsible structure for local Taxes and tariffs;
- Responsible structure for education and culture;
- Responsible structure for agriculture and veterinary services, markets services, etc.;
- Responsible structure for protection against fire and rescue;
- Responsible structure for social services, etc.

The task of the SMG coordinator is to guide the members of Program Management Teams regarding the selection of priorities of the municipality, which must be considered in the context of the budgetary requests preparation.

Throughout the drafting of the MTBP and annual budget proposal, the SMG must adhere to certain principles:

- Revenues must be estimated based on plausible approaches and in a transparent way that is explained in the annex to the MTBP. All classes of revenue must be included in the budget.
- The MTBP should be comprehensive; it needs to be prepared for all funds expended by the municipality.
- The budget needs to be presented in a form that is understandable for citizens and local councilors, as it is an important communicative instrument (see table 1 and table 2).
- The budget preparation (especially the identification of priorities) should include a public consultation process for all stakeholders; for that purpose, public hearings are organized in order to receive feedback from the public before the budget is approved.
- Local council must play an important role in controlling budget expenses.
- The proposed budget should guarantee that basic public services are supplied in the best possible way for the community.
- The investment projects should include information regarding their construction costs, timelines, maintenance costs, and compatibility with the long-term strategic development objectives.

Example 1. The order of the mayor of the LGU for the establishment of the Strategic Management Group (SMG) and of the Program Management Teams



Republic of Albania
Municipality of BORA

Address: Rruga “ Skënderbeu”, Bora Bora Tel/Fax: +35522336655558

Order

no. _____ date ____/____/2017

Object: On the establishment of the Strategic Management Group (SMG) and Program Management Teams (PMT)

Based on the law no. 139/2015 “*On local self-government,*” the law no. 9936/2008 “*On management of budgetary system in the Republic of Albania,*” the law no. 10296/2010 “*On the financial management and control,*” the law no. 68/2017 “*On local self-government finance,*” Ministry of Finance Instruction no. 8/2012 “*Standard procedures for the preparation of the Medium-Term Budget Program,*” and Ministry of Finance Instruction no. 10/1 of 2017 “*On annual budget preparation.*”

Orders:

1. The establishment of the Strategic Management Group (SMG) for the drafting of the MTBP, 2018-2020, of the Municipality of Bora, with the following members:

- *First Name Last Name (Chair)*
- *First Name Last Name (Member)*
- *First Name Last Name (Member)*
- *First Name Last Name (Member)*
- *First Name Last Name (Member)*
- *First Name Last Name (Member)*
- *First Name Last Name (Member)*
- *First Name Last Name (Member)*
- *First Name Last Name (Member)*
- *First Name Last Name (Member)*

2. The establishment of the Program Management Teams (PMT) for the drafting of the MTBP, 2018-2020, of the Municipality of Bora, with the following members:

PMT 1. “.....” comprises:

- *First Name Last Name (Chair)*
- *First Name Last Name (Member)*
- *First Name Last Name (Member)*
-

PMT 2. “.....” comprises:

- *First Name Last Name (Chair)*
- *First Name Last Name (Member)*
- *First Name Last Name (Member)*
-

PMT 3. “.....” comprises:

- *First Name Last Name (Chair)*
- *First Name Last Name (Member)*
- *First Name Last Name (Member)*
-

PMT 4. “.....” comprises:

- *First Name Last Name (Chair)*
- *First Name Last Name (Member)*
- *First Name Last Name (Member)*
-

The Strategic Management Group and the Program Management Teams are mandated to enforce and oversee the implementation of this order in the Municipality of Bora.

This order enters into effect immediately.

MAYOR OF BORA

ERBLIN BORA

After the initial work of the SMG and PMT, the Chairman of the local self-government unit prepares and submits for approval to the council of the local self-government unit the calendar of the MTBP and the annual budget, based on the instruction of the Ministry of Finance and Economics on the standard procedures for the preparation of the Medium-Term Budget Program of the local government units. The calendar is approved by the council of the local self-government unit no later than December 31st, and enters into force the first day of each year. After the approval, the calendar for preparing the Medium-Term budget program and annual budget is submitted to all subordinated spending units.

Example 2. MTBP's preparation calendar

Activity	Prepared by:	Approved by:	Deadline:
The calendar for the MTBP and proposed annual budget preparation	The Mayor	The municipal council	Until 31/12 <i>(comes into force on 01/01 of the next year)</i>
Revenues assessment and forecast	Presented by the Mayor	The municipal council	31/01 (approved by the council before 01/03 of the same year)
Expenditure initial ceilings of the MTBP at the budget program level	Proposed by the Mayor	The municipal council	01/03 and must be approved before 15/03 of the same year
Internal instruction on the preparation of the MTBP with the approved budgetary ceilings for each program and submission to the spending units.	SMG & PMT & the respective Directories/Departments	The mayor	5 days after the approval of the initial ceilings – 20/03 of the same year
Preparation of the budgetary requests within the limits of the initial ceilings and justification for additional funds.	PMT & the respective Directories/Departments		During the month of April of the same year
The preparation of the final forms of ceilings	The Mayor	The municipal council	During the month of July and are approved by the municipal council before 20/07 of the same year.
Additional instruction on the preparation of the unit's budget and submission to all the spending units	The Mayor	The Mayor	5 days after the approval of the final forms of the ceilings – date 25/07 of the same year
Spending units prepare and present budgetary requests within the limits of the ceilings in their final form	PMT & SMG		01/08 of the same year
Preparation of the first MTBP document.	The Mayor	The Mayor	30/05 of the same year
Submission of the MTBP to the MFE	The Mayor		01/06 of the same year

The MFE sends its first evaluation regarding the MTBP to the LGU.	MFE		20/06 of the same year.
The approval of the MTBP		The municipal council	30/06 of the same year
The publication of the MTBP	The Mayor		05/07 of the same year
Additional instruction for the revision of the MTBP	MFE	MFE	10/07 of the same year
Public hearings			1 – 15/09 of the same year
Revision of the MTBP and resubmission to the MFE	LGU		15/09 of the same year
The MFE organize consultation sessions	MFE		05/10 of the same year
The MFE sends its final opinions to the central unit	MFE		20/10 of the same year
Approval of the MTBP and annual proposed budget.	The Mayor	The municipal council	30/11 of the same year and approved before 25/12 of the same year
Publication of the MTBP, annual budget and accompanying materials.	The Mayor		31/12 of the same year

The success of the MTBP preparation, in accordance with the existing legislation and deadlines, depends on the management of the process, the attitude, skills and reputation of the participating actors, the work organization, a clear understanding of roles and responsibilities, and the rigorous adherence to the steps provided by the law and planned by the budget calendar.

Last but not least, the more inclusive the process, the higher the probability of preparing a good quality MTBP and annual budget.

2.3.2 Revenue forecasting

The fiscal policies adopted by the local self-government unit are formulated and presented in the document named “Fiscal Package”. The latter can be an existing or amended document based on decisions of the local self-government unit’s council. This document delineates the level of local taxes and fees, the procedures and responsible authorities for their collection, terms of the payments, exemption cases and so on.

The drafting of the MTBP and annual budget proposal must be preceded by the preparation of the medium-term revenue forecasts of the local government unit. For this reason, no later than January 31st, the responsible institution of the local government unit prepares and presents for

review and approval to the council of the local self-government unit the report on the medium-term revenue forecasts. This report includes data on revenues of the two years preceding the budget year, expected revenues for the current year, and expected revenues for the three subsequent budget years.

The report on the medium-term revenue forecasts analyzes the historical trends of revenues, a method which simplifies the prediction of the latter. As for the funds granted by the central budget, as conditional or unconditional transfers, we need to assess the specific instructions of the Ministry of Finance. The more precise the revenue forecasts for the three subsequent years, the more reliable are the expenditure ceilings for each program. Consequently, this facilitates the subsequent expenditure planning, minimizing the need for revisions. Another aspect, which is addressed at this phase, is the opportunity to find discrepancies between predicted revenues and expenditures and, if so, to encourage the LGU to eliminate this gap.

If the report is to be really helpful, and not simply a formal planning document, it needs to include details regarding:

- applied methodology for the medium-term revenue forecasts (in total and according to categories);
- assessment of the effects of potential fiscal policy changes;
- risk analysis regarding the collection of all revenues and of policy changes, in addition to the ways and methods to handle these risks.

The law no. 68/2017 “*On local self-government finance*” solves definitely the following argument over the method of revenue forecasting: an estimation based on the population reported by the civil registry offices or an estimation based on the factual revenues collected by the local government unit (usually municipalities have budgeted based on civil registry number of population which is much higher than the actual population in the territory). The article 5 of the aforementioned law states, “. . . *prepare their annual budgets and medium-term budget programs based on realistic forecasts of revenues and expenditures based on previous years’ actual out-turns.*” Setting this aspect straight, the local government units can use different methods for revenue forecasting. Briefly, some of the most used methods for revenue forecast are:

- ***Revenue forecasting according to expert judgment.*** This method is based on the judgment of a field expert (or experts) regarding the path of the variable that ought to be predicted. Albeit highly subjective, it is a low-cost method, which can produce decent results. The necessary conditions for its adoption are the expert’s reliability, experience, expertise and knowledge on revenue and expenditure trends.
- ***Revenue forecasting through trend analysis.*** This technique analyzes the historical trend of the relevant variable and predicts similar growth rates for the forecasting

period. This analysis requires statistical knowledge. In addition, the applied fiscal policies must either be fixed or predictable in their changes. This approach is often combined with the expert judgment methodology.

- ***Revenue forecasting through econometric models.*** Revenue forecasting through econometric modeling is more complex than the aforementioned methods. These models relate our variable of interest with a number of exogenous variables and their evolution over time. Based on a prediction of the exogenous variables, we can make a forecast for our variable of interest. This approach requires long and continuous time-series. Econometric revenue estimation models are used for assessing the effect of various macroeconomic indicators such as inflation, economic growth, interest rate etc. From a practical standpoint, these models require a solid data base of local finances and adequate professional expertise.
- ***Revenue forecasting based on known indicators such as population, number of families or businesses.*** This is the most widely used technique by the local government units. Practically, revenue forecast is assessed through simple mathematic operations with known data. This method is simple; the variables are under the control of local government unit.
- ***Revenue forecast through simulations.*** This method alleviates, to a certain extent, the uncertainty of the future economic conditions. When simulating the event, the technique usually works with three options for the future: an optimistic (absence of negative random shocks), a pessimistic (absence of positive random shocks) and a realistic scenario (based on the experts' judgment and experience through years).

All revenue forecasts must be made in nominal terms (reflecting the current prices), given that the MTBP is also presented in nominal terms. Regardless of the chosen method for revenue forecasting, it is crucial to track systematically the actual turn-out and, in case of deficiencies, to assess the reasons behind them.

None of the discussed techniques guarantees impeccable forecasts, i.e. a fully errorless forecast of the future values. The choice of the applied method is amongst other things dependent on the context, the field on which the technique is to be applied, the control of the local unit over the variable, the available technical expertise. Thus, the choice of the method, as long as it is not specified in the law, remains a matter of preference of the local actors.

The new financial planning tool comes with a built-in feature that shows the trend path for each source of own revenues over the next three years based on the statistical methodology of exponential smoothing. Furthermore, it shows the 80% confidence intervals within which it can be assumed that the future outturn will materialize over the next three years with a probability of 80% if no major changes are to be expected. Certainly, it is still possible to make forecasts that deviate from the trend line and even lay outside of the confidence interval. Such

estimations are flagged by the FPT, and in such cases, strong reasons should be given. The manual on the FPT includes more explanation on how this feature may support revenue estimation.

The additional instruction of the Ministry of Finance and Economy no. 6/1, date 28/02/2018 “On the preparation of the local budget” in its annexes contains the manual explaining the use of FPT and the basic format of MTBP 2019-2021. In the fourth chapter of the MTBP format, the one concerning financial information, it is included the table of revenues from all sources (see sheet F1 in the FPT). Regardless of the method used for revenue forecasting, revenues should be presented in the budget as shown in table 1 and also all factors affecting revenues must be explained in detail.

Table 1: Revenues classification according to source

		n-2	n-1	n	n+1	n+2	n+3
A	Own-source revenues						
A1.	Revenues from taxes						
A1.1	Local tax for small businesses income						
A1.2	Tax on immovable property						
A1.2.1	<i>Tax on buildings</i>						
A1.2.2	<i>Tax on agricultural land</i>						
A1.2.3	<i>Tax on land plots</i>						
A1.3	Local tax on hotel service activities						
A1.4	Tax on infrastructure impact of new buildings						
A1.5	Tax on signboards						
A1.6	Local taxes on personal income created from donations, inheritances, testaments, or local lotteries						
A1.7	Temporary taxes						
A2.	Revenues from shared taxes						
A2.1	Tax on immovable property transfer tax imposed on individuals and physical and juridical persons						
A2.2	Annual tax on used vehicle circulation						
A2.3	Mineral rent						
A2.4	Personal income tax						
A2.5	Other						
A3.	Revenues from fees						
A3.1	Fee for the waste collection and disposal						
A3.1.1	<i>Families</i>						
A3.1.2	<i>Institutions</i>						
A3.1.3	<i>Businesses</i>						
A3.2	Fee for street lighting						
A3.2.1	<i>Families</i>						
A3.2.2	<i>Institutions</i>						
A3.2.3	<i>Businesses</i>						
A3.3	Green fee						
A3.3.1	<i>Families</i>						
A3.3.2	<i>Institutions</i>						
A3.3.3	<i>Businesses</i>						
A3.4	Fees for administrative services of the municipality						
A3.4.1	<i>Fee for administrative services</i>						
A3.4.2	<i>Fee for licenses, permissions, and authorizations</i>						
A3.4.3	<i>Fee for the territorial control and development</i>						
A3.4.4	<i>Fee for animal slaughter/ veterinary medicine</i>						

A3.4.5	Fee for transportation licenses							
A3.4.6	Fee for oil production and franchise							
A3.4.7	Fee for the use of forests and pastures							
A3.4.8	Fee for the use of firefighting							
A3.4.9	Fee for waste disposal at landfills							
A3.4.10	Fee for landlines (telephone, energy, cable tv, internet)							
A3.4.11	Fee for public procurement documents							
A3.5 ⁵	Fees for the occupation of public space and facades							
A3.5.1	Fee for utilization of space in public areas or in front of business premises for business purposes, including outdoor tables for cafes and restaurants							
A3.5.2	Fee for using advertising billboards							
A3.5.3	Fee for using parking spaces for road motor vehicles;							
A3.5.4	Fee for using areas for camping, setting up tents or other facilities for temporary use							
A3.5.5	Fee for using waterfront areas for business and any other purposes							
A3.5.6	Fee for keeping and using navigable equipment and vessels, and other facilities in rivers and lakes;							
A3.5.7	Fee for keeping and using boats and other floating structure, save boats that are used by certain organizations for the maintenance and indication of waterways							
A3.5.8	Fee for restaurants and other catering and entertainment facilities on rivers and lakes							
A3.5.9	Fee for using public space to house road motor vehicles and trailers excluding agricultural vehicles and machinery							
A3.5.10	Fee for using public space for keeping construction material							
A3.5.11	Other local fees that may be set with a decision of the local self-government unit council							
A3.6	Fees from educational, social, cultural and sports institutions							
A3.6.1	Library							
A3.6.2	Museum							
A3.6.3	Theater							
A3.6.4	Children cultural center							
A3.6.5	Sport center							
A3.6.6	Community center							
A3.6.7	Dormitories							
A3.6.8	Preschools							
A3.6.9	Nurseries							
A3.7	Fee for water supply and sewage treatment							
A3.8	Fee for irrigation and drainage							
A 3.9	Temporary tariffs							
A 3.10	Other tariffs							
A4	Revenues from assets and economic activities							
A4.1	Revenues from rentals							
A4.1.1	Buildings rental							
A4.1.2	Land plots rental							
A4.2	Revenues from sale of assets							
A4.2.1	Buildings sale							
A4.2.2	Land plots sale							
A4.2.3	Other assets sale							
A4.3	Revenues from dividends							
A4.4	Revenues from interest rates							

⁵ The table as presented here follows strictly the indications of law no. 68/2017 “On local self-government finances” and law no. 9632/2006 “On local taxes system”, changed. In the FPT, this tax is comprised in one line.

A4.5	Revenues from sale of goods						
A4.6	Revenues from fines						
A4.7	Transfers from other municipalities						
A4.8	Sale of financial assets						
A4.9	Others						
A4.10	Revenues from donations and sponsoring						
A4.11	Revenues from PPP agreements						
A4.12	Revenues from subordinated enterprises						
B	LOCAL BORROWING						
B1	Short-term borrowing						
B2	Long-term borrowing						
C	REVENUES FROM TRANSFERS						
C1	Unconditional transfer						
C2	Conditional transfer						
C2.1	For delegated functions						
C2.2	For specific projects						
C3	Specific transfers						
D	INHERITED REVENUES						
D1	Unconditional inherited revenues						
D2	Conditional inherited revenues						
TOTAL REVENUES (A+B+C+D)							

In case of expected changes in the fiscal policies, their impact on the local government budget must be assessed. The same holds true for the application of new taxes and fees. In addition, the report must include the risk assessment of the forecasts.

2.3.2 Expenditure forecasting

The article 36 of the law no.68/2017 “*On local self-government finance*” clarifies that, “*The local medium-term budget program uses the budget classifications set out in article 11 of the law "On budget system management in the Republic of Albania," as amended.*”

In other words, the MTBP must include information regarding the expenditures in the two years preceding the budget year, expected expenditures for the current year, and expected expenditures for the three subsequent budget years, according to:

- administrative classification (spending unit level);
- economic classification, representing the classification of transactions by economic nature (wages, insurances, operative and capital);
- functional - programmatic classification, representing a detailed classification in accordance with economic and social functions or objectives that the unit aims to meet (COFOG). Expenditures in FPT are organized in 9 functions and 27 sub-functions (see sheets F6-F7 in the FPT), detailed further to 36 budget programs, as showed in table 2.

After the approval of the medium-term revenue forecasts by the local council, the next step is the preparation of the initial expenditure ceilings for each program. The SMG plays a crucial role during this stage, as it:

- Must guarantee that the allocation of the initial ceilings of the local government unit is compatible with the vision and strategic objectives of the local government unit;
- Must make sure that prioritization of projects is in line with strategic objectives and programs
- Must facilitate the communication between the so called “policy making” — strategic and the PMT for the preparation of detailed forecasts — and the operational part.

At this point, there was often confusion between what the law on local self-government states as “field of competence” and what exists in the electronic system of the treasury of the Ministry of Finance as functions and programs of COFOG. For this reason, there were often discrepancies, regarding the method of data organization for budgetary expenditures, between the MTBP and published annual budgets.

Now, let’s first see what are the functions of local government units and then how these functions are represented in the newly developed functional-programmatic classification.

Based on the law no. 139/2017 “*On local self-government,*” the local government units exercise functions and competencies in the following fields:

- Infrastructure and public services:
 - Production, treatment, transmission and supply of potable water
 - Collection, disposal and treatment of wastewater
 - Collection and disposal of rainwater and protection from floods in the residential areas
 - Construction, rehabilitation and maintenance of local roads, road signage, sidewalks, and public squares
 - Lighting of public areas
 - Local public transport
 - Construction, rehabilitation and maintenance of public cemeteries, as well as provision of public funeral service
 - Service of public decoration
 - Parks, gardens and public areas of grass
 - Collection, disposal and treatment of solid and domestic waste
 - Construction, rehabilitation and maintenance of buildings of pre-university educational institutions, except for vocational schools
 - Management and arrangement of preschool education system in kindergartens and nurseries
 - Construction, rehabilitation, and maintenance of buildings of primary health service, the organization of local-level education and promotional activities related to health protection, and the management of centers and other services in the field of public health, in the manner specified by law

- Planning, management, development and control of the territory, in the manner prescribed by law

Social services

- Initiation and management of social services at the local level, for the poor, persons with disabilities, children, women, women as heads of households, battered women, victims of trafficking, mothers, parents with many children, the elderly, etc., by the manner specified by law
 - Construction and management of dwellings for social housing, in the manner prescribed by law
 - Construction and management of centers for the provision of local social services
 - Creation, in cooperation with the Ministry of Social Welfare, of a social fund for the financing of services in the manner prescribed by law.
- Culture, sport and recreational services
 - Development, protection, and promotion of the cultural heritage of local interest, and management of the facilities for exercising such functions
 - Organization of cultural activities, promotion of national and local identity, and management of the facilities for exercising such functions
 - Development, protection, and promotion of libraries and reading halls for the purpose of civic education
 - Organization of sporting, recreational, and entertaining activities, and development and management of the institutions and the facilities for exercising such functions
 - Environmental protection
 - Implementation of local-level measures to protect the quality of air, soil, and water from pollution
 - Implementation of local-level measures for the protection from acoustic pollution
 - Organization of local-level education and promotional activities related to environment protection
 - Agriculture, rural development, public forests and pastures, nature, and biodiversity
 - Management, operation and maintenance of irrigation and drainage infrastructure, transferred to their ownership in the manner prescribed by law

- Management and protection of agricultural land and other types of resources, such as the unproductive land, etc., in the manner prescribed by law
 - Creation and management of a local system of agricultural and rural information and consultation, according to the legislation in force
 - Creation and management of grant schemes for local agriculture and rural development financed from the local budget and/or co-financed by third parties, guaranteeing gender-balanced access
 - Management of public forest and pasture resources, according to the legislation
 - Protection of nature and biodiversity, according to the legislation in force
- Local economic development
 - Preparation of strategic development plans and programs for local economic development
 - Establishment and operation of public markets and trade networks
 - Support for the development of small business through promotional activities, such as fairs and advertisements in public areas
 - Organization of services in support of local economic development, such as business information, promotional activities, availability of public assets, etc.
 - Publication of informative brochures, creation of portals with economic profile, etc.
 - Provision of financial grants to support small and medium business activities, as specified in the legislation in force, guaranteeing gender-balanced access
- Public safety
 - Civil Protection at the local level and management of the relevant structures in the manner prescribed by law
 - Provision of the firefighting service at the local level and management of the relevant structures in the manner prescribed by law
 - Guaranteeing of good relations across the community, prevention of, and mediation for resolving, conflicts within the community
 - Prevention of administrative offenses and the strengthening, inspection and monitoring of the implementation of the statutes and regulations of local government units within their local jurisdictions in accordance with the applicable legal provisions

With the approval and distribution to municipalities of the additional instruction of MFE no. 6/1, date 28/02/2018 “On the preparation of the local budget”, it will be clear how and what to include in the MTBP document, and how to present the expenditure side in a functional-programmatic framework. This classification framework is based on the international classification COFOG and tailored to the current context of Albanian local government units. It is subdivided in three levels

- The first level will be the function (9);
- The second level will be the sub-function (27);
- The third level will be the budget program (36);

Table 2 shows the new expenditure classification. In the annex, each item of this classification framework is fully described to improve transparency and comparability. This expenditure classification is also used by the FPT.

Table 2: Expenditures classification according to the COFOG

Function 1: General public services		
Sub-function 1: Legislative and executive institutions, financial and fiscal issues, foreign affairs	<i>Program 1</i>	<i>Planning, management, and administration</i>
	<i>Program 2</i>	<i>Fiscal and financial issues</i>
	<i>Program 3</i>	<i>Civil status</i>
	<i>Program 4</i>	...
Sub-function 2: Local borrowing services	<i>Program 1</i>	<i>Payment on domestic debt service</i>
Function 3. Order and public safety		
Sub-function 3: Police services	<i>Program 1</i>	<i>Local police services</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Sub-function 4: Firefighting services	<i>Program 1</i>	<i>Firefighting and civil defence</i>
	<i>Program 2</i>
Sub-function 5: Other safety and order means	<i>Program 1</i>	<i>Community relationship</i>
	<i>Program 2</i>
Function 4. Economic affairs		
Sub-function 6: General economic, commercial, and labor issues	<i>Program 1</i>	<i>Support for economic development</i>
	<i>Program 2</i>	<i>Market issues, inspection, and accreditation</i>
	<i>Program 3</i>
Sub-function 7: Agriculture, forests, fishing, and hunting	<i>Program 1</i>	<i>Agricultural services, inspection, food, and consumer protection</i>
	<i>Program 2</i>	<i>Irrigation and drainage management</i>
	<i>Program 3</i>	<i>Forests and pastures management</i>
	<i>Program 4</i>	...
Sub-function 8: Transportation	<i>Program 1</i>	<i>Rural roads network</i>
	<i>Program 2</i>	<i>Public transportation</i>
	<i>Program 3</i>	...
Sub-function 9: Other industries	<i>Program 1</i>	<i>Development projects</i>
	<i>Program 2</i>	<i>Tourism development</i>
	<i>Program 3</i>	...
Function 5. Environmental protection		
Sub-function10: Waste management	<i>Program 1</i>	<i>Waste management</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Sub-function 11: Wastewater management	<i>Program 1</i>	<i>Wastewater and sewage management</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Sub-function 12: Pollution reduction	<i>Program 1</i>	<i>Environmental protection programs</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Sub-function 13: Environmental protection	<i>Program 1</i>	<i>Raising environmental awareness</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Function 6. Social housing and social commodities		
Sub-function 14: Urbanism	<i>Program 1</i>	<i>Local urban planning</i>
	<i>Program 2</i>	...

	<i>Program 3</i>	...
Sub-function 15: Community development	<i>Program 1</i>	<i>Development programs</i>
	<i>Program 2</i>	<i>Local public services</i>
	<i>Program 3</i>	...
Sub-function 16: Water supply	<i>Program 1</i>	<i>Water supply</i>
	<i>Program 2</i>
	<i>Program 3</i>	...
Sub-function 17: Road lighting	<i>Program 1</i>	<i>Road lighting</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Function 7. Health care		
Sub-function 18: Primary care services	<i>Program 1</i>	Primary care services
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Function 8. Recreation, culture, and religious issues		
Sub-function 19: Recreational and sport services	<i>Program 1</i>	<i>Sports and entertainment</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Sub-function 20: Cultural services	<i>Program 1</i>	<i>Cultural heritage, artistic and cultural events</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Function 9. Education		
Sub-function 21: Preschool and primary education	<i>Program 1</i>	<i>Basic education including pre-school education</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Sub-function 22: Pre-university education	<i>Program 1</i>	<i>Secondary general education</i>
	<i>Program 2</i>	<i>Vocational education</i>
	<i>Program 3</i>	...
Function 10. Social protection		
Sub-function 23: Sickness and disabilities	<i>Program 1</i>	<i>Social care for sick and disabled individuals</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Sub-function 24: Old age	<i>Program 1</i>	<i>Social security</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Sub-function 25: Family and children	<i>Program 1</i>	<i>Social care for families and children</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Sub-function 26: Unemployment	<i>Program 1</i>	<i>Unemployment, education, and professional background</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...
Sub-function 27: Social housing	<i>Program 1</i>	<i>Social housing</i>
	<i>Program 2</i>	...
	<i>Program 3</i>	...

Source: OECD & the guideline for the use of Financial Planning Instrument 2018

Alongside the aforementioned classification, the local government units should also pay attention to the presentation of expenditure according to the respective economic classification. Regarding the latter, the capital budget plays a crucial role, as it serves as the bridge between budgetary planning and strategic priorities. This step is essential in order to balance revenues and expenditures and to create opportunities for new priorities (new activities or new projects).

The SMG and the unit's Chairman prepare the expenditure ceilings, compatible with the SDP (or with the Territorial Development Strategy) for each of the budgetary programs, based on the functional-programmatic classification. In a way, these ceilings indicate the policies of the local self-government unit and its preference for the long-term development. For this reason, the ceilings are determined by the political authorities in the early stages of the budget preparation process. It goes without saying that the ceilings must be in line with the financial capacity of the local government unit. Table 3 shows that for each program, there is a total ceiling and three sub-ceilings.

Table 3: Budget ceilings

	T	T+1	T+2
Function 1. General public services			
Program 1:	Planning, management, and administration		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 2	Fiscal and financial issues		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 3	Civil status		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 4	Payment on domestic debt service		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Function 3. Order and public safety			
Program 5	Local police services		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 6	Firefighting and civil defense		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 7	Community relationship		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Function 4. Economic issues			
Program 8	Support for economic development		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 9	Market issues, inspection, and accreditation		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			

Program 10	Agricultural services, inspection, food, and consumer protection		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 11	Irrigation and drainage management		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 12	Forests and pastures management		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 13	Rural roads network		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 14	Public transportation		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 15	Development projects		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 16	Tourism development		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Function 5. Environmental protection			
Program 17	Waste management		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 18	Wastewater and sewage management		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 19	Environmental protection programs		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			

Program 20	Raising environmental awareness		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Function 6. Social housing and social commodities			
Program 21	Local urban planning		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 22	Development programs		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 23	Local public services		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 24	Water supply		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 25	Road lighting		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Function 7. Health care			
Program 26	Primary care services		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Function 8. Recreation, culture, and religious issues			
Program 27	Sports and entertainment		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 28	Cultural heritage, artistic and cultural events		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Function 9. Education			
Program 29	Basic education including pre-school education		
Wages and insurances			

Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 30	General secondary education		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 31	Vocational education		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Function 10. Social protection			
Program 32	Social care for sick and disabled individuals		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 33	Social security		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 34	Social care for children and families		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 35	Unemployment, education, and professional background		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Program 36	Social housing		
Wages and insurances			
Other current expenditures			
Capital expenditures			
<i>Total ceiling</i>			
Reserve fund			
Contingency fund			
TOTAL EXPENDITURES			

Source: The guideline for the use of Financial Planning Instrument 2018

As shown in table 3, the Financial Planning Tool (FPT) uses a total ceiling for every program, and within each program there are three types of sub-ceilings: the first for wages and social insurances; the second for the purchase of goods and services (consumption with the exemption of staff compensation); the third for capital investments. While the first and the second represent consumption ceilings, the third represents the minimal demand for capital

expenditures. The ceiling for capital expenditures is what is left from the subtraction of the two consumption ceilings from the total ceiling per program. By setting the total ceiling per program and the two consumption ceilings, the Chairman and council of the LGU can influence the strategic allocation of the resources towards capital investments at program level; in addition, they can keep staff expenses under control with the sub-ceiling for wages and social insurance.

The council of the local self-government unit adopts the initial expenditure ceilings no later than March 15th.

Example 3. Decision on the approval of the expenditure ceilings for the MTBP, 2018-2020



Republic of Albania
Municipal Council of BORA

Address: Rruga “ Skënderbeu”, Bora Bora Tel/Fax: +35522336655558

Decision

no. ____ date __/__/2017

Object: On the approval of Expenditures Ceilings of the Medium-Term Budget Program (MTBP), 2018-2020

Based on the law no. 139/2015 “*On local self-government,*” the law no. 9936/2008 “*On management of budgetary system in the Republic of Albania,*” the law no. 10296/2010 “*On the financial management and control,*” the law no. 68/2017 “*On local self-government finance,*” Ministry of Finance Instruction no. 8/2012 “*Standard procedures for the preparation of the Medium Term Budget Program,*” Ministry of Finance Instruction no. 10/1 of 2017 “*On annual budget preparation,*” and on the submitted documentation from the Strategic Management Group for approval to the Municipal Council of Bora

Decided:

1. The Expenditures Ceilings of the Medium-Term Budget Program (MTBP), 2018-2020, for the Municipality of Bora, according to the attached statements, are approved.
2. The Mayor of Bora is responsible for the execution of this decision.
3. This decision enters into effect . . . days from the publication.

CHAIRMAN OF THE COUNCIL

MUNICIPALITY OF BORA

ERVIN BORA

No. ____ Date ____/____/2017

Mayor of Bora

Prefect of the district of Bora

Archive of the municipality of Bora

Treasury branch of Bora

CHAIRMAN OF THE COUNCIL

MUNICIPALITY OF BORA

ERVINA BORA

The approved ceilings, together with the forms of budget expenditure request, are sent to all PMTs and their members to be filled in. To simplify the process and to assist the employees, the SMG and the PMT can organize informative meetings or provide completed forms from the previous years for illustration purposes. The directors of the PMT are responsible for the completion of the program budget requests in accordance with the allocated expenditure ceilings and deadlines. Optimally, the PMT must have approximately 4 weeks to prepare, discuss, and present the budget requests. The preparation of the budget requests is simplified by the available form (BRF – Budget Request Form), included in the Financial Planning Tool. While not applied in the past, elements such as the description of the functions and budget programs will be standardized; the manual for the use of the FPT provides further guidance. However, municipalities can provide more local content to the program and activity descriptions to emphasize current local issues.

Example 4. Function 5: Environmental protection

Sub-function 051: Waste management

General overview		
Waste collection, treatment, and disposal, and sweeping of streets, squares, markets, public gardens, parks, etc.		
05100	Waste management	<ul style="list-style-type: none">• Management, surveillance, inspection, organization, or support of the systems of waste collection, treatment, and disposal.• Grants, loans, or funds to support the functioning, establishment, maintenance, or improvement of such systems.• Sweeping of the streets, parks, etc.

The SMG discusses and approves the submitted budget request or asks for its revision especially when these are not in conformity with the ceilings. After the approval of the budget requests, the preparation of the draft MTBP must be completed within June 1st. The Ministry of Finance analyzes the draft MTBP for each unit of local self-government and prepares and

submits to all local self-government units a report with opinions by June 20th. Next, the local government units analyze and address the recommendations. Within June 30th, the council of the local self-government unit scrutinizes and approves the first draft of the MTBP to which the opinion on the recommendations of the Ministry of Finance are attached. The whole document is sent by mail and electronically to the Ministry of Finance. The adopted first draft of the MTBP should be published by July 5th.

Based on the Additional Instruction of the Ministry of Finance for the preparation of the local self-government unit budget and on revised forecasts for local revenues, the Chairman of the local self-government unit prepares and submits for approval to the council the final expenditure ceilings of the MTBP at the program level. The council of the local self-government unit adopts the final expenditure ceilings of the MTBP by July 20th. No later than five days after the adoption of the final expenditure ceilings of the MTBP, the Chairman of the local self-government unit issues an additional instruction for the preparation of the local budget which is distributed to all subordinated spending units. The additional instruction for the preparation of the local self-government unit budget includes: (i) the final expenditure ceilings at the program level for each of the three coming years; (ii) the terms for the preparation of the revised budgetary requests for the MTBP.

After finalizing the revised draft MTBP, the Chairman of the local self-government unit is responsible for its publication. After the publication, the Chairman organizes hearings with the community and stakeholders. The minutes of such hearings in addition to the positions of the local self-government unit are integrated in the revised draft MTBP.

Example 5. Instance of public hearing minutes



Republic of Albania
Municipality of BORA

Address: Rruga “ Skënderbeu”, Bora Bora Tel/Fax: +35522336655558

Minutes of the public hearing regarding the preparation of the MTBP, 2018-2020

Participants: Mayor of BORA, Directors of the PMTs, business community and Bora’s citizens, representatives of the chamber of commerce, media employee, and other organizations.

The notice on the hearing was published on the website of the municipality of Bora.

www.bashkiabora.org.al

Summary of the meeting is available at the municipality of Bora Facebook page:

<https://www.facebook.com/Bashkia-Bora>

Video available at:

<https://www.youtube.com>

Synopsis:

The municipality of Bora completed the first stage of public hearings regarding the MTBP, 2018-2020. The hearing was held on, at The head of the SMG presented briefly the approved budget ceilings at the program level and the respective planned expenditures. The Mayor of Bora underlined that, *“the primary challenges for the municipality of Bora remain: providing adequate local services and raising the general awareness regarding regular payment of taxes and fees.”* All the sectors were discussed, and some of the most important investments for 2018 and 2019-2020 are listed below:

1. Road construction, estimated cost
2. Repair of square’s sidewalks, estimated cost
3. Rehabilitation of the bus garage, estimated cost
4. Reconstruction of nurseries, no. 3, no. 5/ no. 2, and no. 7/ no. 8, estimated cost
5. Reconstruction of kindergartens, no. 3, no. 5/ no. 2, no. 7/ no. 8, and no. 10 estimated cost
6. Construction of water supplies at the municipality of Bora and administrative unit Bora 1, estimated cost
7.
8.
9.
10.

At the same time, there were broad discussions on the principal problems that affect the everyday life of the community, and on their potential solutions.

- The community of the unit Bora 1 demanded the improvement of the provision of the waste management service;

- The citizens, living in the city, assessed as crucial the reconstruction of the primary school “Bora Bora”;
- The business community asked for a simplification of the procedures for the provision of administrative documents;
- The civil society organizations advocated in favor of increased transparency on the use of public funds by the municipality

Date/...../2017

Secretary:

By September 15th, the local self-government unit submits to the Ministry of Finance the revised MTBP, as approved by the council, together with the information on the response of the local self-government unit to the recommendations provided by the Ministry of Finance during the first phase of the preparation of the draft MTBP.

The Ministry of Finance organizes consultation sessions with the local self-government units by October 5th. At the end of such sessions, where appropriate, the Ministry of Finance may submit its final opinions to local self-government units by October 20th; these final opinions of the Ministry of Finance should be reflected in the final MTBP.

After receiving the final opinion of the Ministry of Finance and Economy in accordance with what provided in the annual draft budget, the Chairman of the local self-government unit shall prepare the final draft MTBP and shall present it for consideration and approval to the council, together with the annual draft budget by November 30th of the current year.

The opinions and recommendations of the Ministry of Finance together with their assessment are presented in a separate annex of the final MTBP. The final MTBP is approved by the council of the local self-government unit no later than December 25th.

The Chairman of the local self-government takes measures to publish the full document of the medium-term budget program, including accompanying documentation, no later than December 31st.

2.4 Preparing the annual budget proposal

The annual budget proposal constitutes the first year of the MTB (MTBP). After the approval of the revised draft MTBP by the local government council, the Chairman of local self-government is responsible for the preparation of the annual budget-proposal.

Based on the law no. 68/2017 “*On local self-government finance*”, the annual budget proposal includes:

- Basic documentation:
 - budget funds planned for the coming year for each budgetary program of each spending unit, divided into current and capital;
 - budget ceilings for each program, for the first, second and third year of the medium-term budget program;
 - a table of key budget revenues and expenditure line items in accordance with the economic classification, for the current year, the two preceding years and the coming three years;
 - the number of budgetary employees for the coming year, for each spending unit of the local self-government unit;
 - Compliance with the fiscal rules applicable to local self-governments.

- Supporting documentation:
 - detailed information on expenditures in conformance with the budget classifications;
 - the list of public investment projects, for each program, including: the total cost of projects; the amount financed in the preceding budget year; the amount planned to be financed in the budget year; the residual amount to be financed in subsequent years budget; sources of financing;
 - an assessment of tax expenditures as part of fiscal policies adopted for the budget year;
 - the list of spending units of the local self-government unit;
 - the main objectives of the budgetary programs of the local self-government unit;
 - information on the debt stock and an analysis of corresponding risk elements;
 - fiscal risks and safeguards, pursuant to the relevant instructions of the Minister of Finance;
 - contingent liabilities and the possibility of their occurrence in the next budget year;
 - a complete list of ongoing concessionary projects or public-private partnerships, the total contracted value of the investment and the budgetary implications for each project, in accordance with the applicable legal framework;
 - a summary of revenues, expenses and subsidies to companies owned by the local self-government unit;

- the initial cash flow plan of the draft budget submitted for approval;
- where appropriate, a summary of payment arrears to third parties, including their origin and measures for their clearance and prevention.

The annual budget proposal, including the basic and the supporting documentation as prescribed by the article 40 of the law no. 68/2017 “*On local self-government finance*,” is submitted for approval to the local government council no later than November 30th of the fiscal year. Every member of the council of the local self-government unit may propose justified amendments to the submitted budget proposal. Such changes must comply with principles and rules laid down in this law with respect to fiscal discipline and the financing of local functions. The final budget proposal must be approved by the local government council no later than December 25th. In case the budget-proposal is not adopted within this deadline, the prefect asks the Chairman of the local self-government unit to convene a second meeting of the council, to be held no later than by January 5 of the following year. If even in this case the council of the local self-government unit fails to approve the budget, the Council of Ministers decides on the early dismissal of the council. In this situation, where the budget proposal is not approved even at the second meeting of the council, the Chairman of the local self-government unit initiates the interim budget procedures in accordance with the applicable legislation (the municipality operates with 1/12 of previous year expenditures).

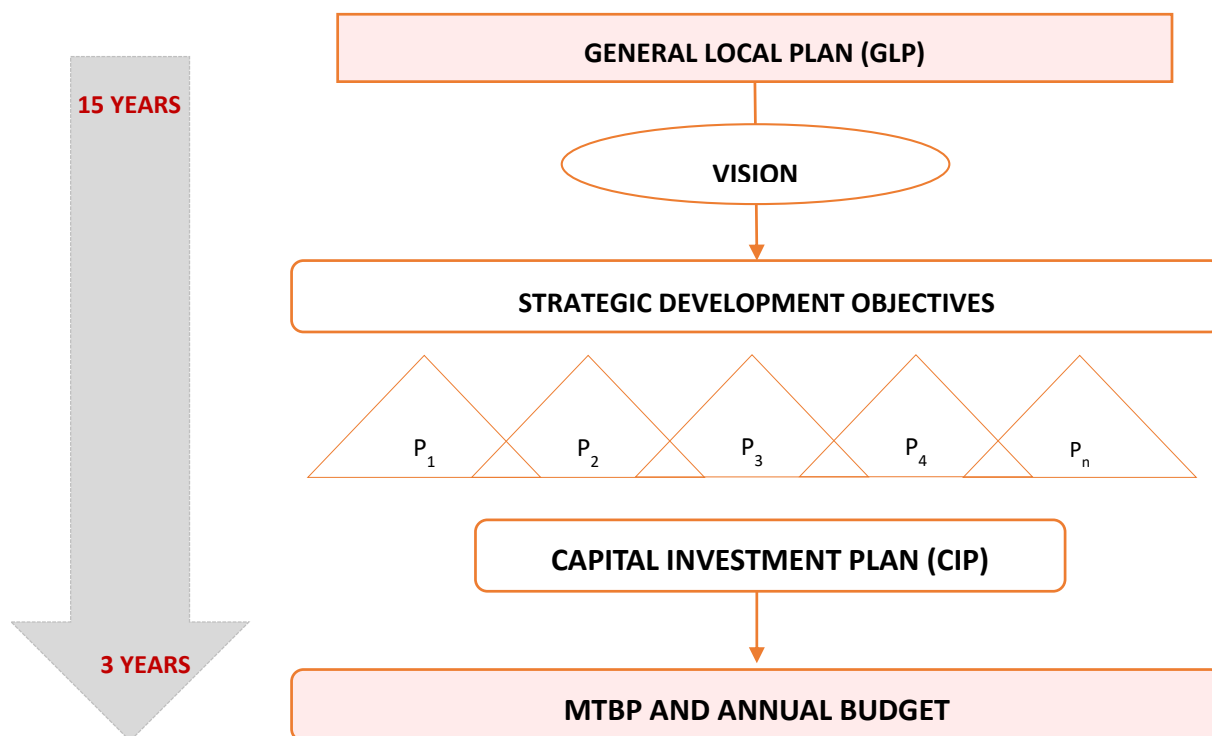
The annual budget, including its accompanying documentation, is published in the public notification bulletin and on the website of the local government unit no later than 15 days after its approval by the council. A copy of the local annual budget is submitted to the Ministry of Finance no later than 5 days after its approval.

2.5 The link between the MTBP and the SDP

Currently, local self-government units of Albania do not have a Strategic Development Plan (SDP). The majority of the municipalities completed the preparation of the General Local Plan (GLP), which comprises the Territorial Development Strategy (TDS). The strategic document delineates the strategic objectives, programs, and projects. The GLP adopts a long-term perspective covering 10 to 15 years; certainly, it cannot be implemented in one year. The GLP must be executed in a step by step process over the years.

The SDP implementation over time and the achievement of determined strategic objectives require financial resources. Therefore, the GLP must be linked with the financial planning of the MTBP and annual budget. The bridge between the GLP and the MTBP is built by the Capital Investment Plan (CIP). The Regulation on Territorial Planning, approved by the DCM 671/2015, explains in article 54, point 5/b, that the territorial development plan includes the action plan for the implementation of the GLP. Among other things, this action plan includes the “*total costs for the implementation and for the main funded activities, together with the capital investment planning*.” The last sentence provides the legal base for the preparation of the CIP document.

Figure 1. From the GLP to the MTBP and the annual budget



The CIP is a table of strategic capital investments projects. The projects included in the CIP are deemed necessary for the implementation of the development objectives of the GLP. All projects included in the CIP are costed. The CIP:

- shows from a strategic point of view which projects should best be integrated into the MTBP and annual budget;
- facilitates the prioritization of capital investment projects and enables an effective allocation of available resources;
- improves budgetary forecasts based on realistic cost estimations;
- supports fiscal discipline by enabling more realistic public expenditure plans.

The MTBP presents a general view on the availability of financial resources to cover current expenditure and to accomplish capital or developmental expenditure over the next three years. In addition, the MTBP identifies which of the TDS's projects are feasible and affordable in the medium-term for the local self-government unit. A progressive adoption of these projects in the MTBP is done by reserving funds for their implementation year by year. The legislation on local government finance and the best practices of public finance require that every project, capital investment or not, is included in the budget document; off-budget activities must be avoided whenever possible.

The MTBP comprises two parts: revenues (as classified in table 1) and expenditures. Expenditures in the MTBP are classified at various levels and are in accordance with the international methodology COFOG (Classification of the Functions of Government). At the

highest level, we can identify 9 functions, which are identified by the same label in the Financial Planning Instrument. The functions are further divided into 27 sub-functions, while the third level comprises budget programs.

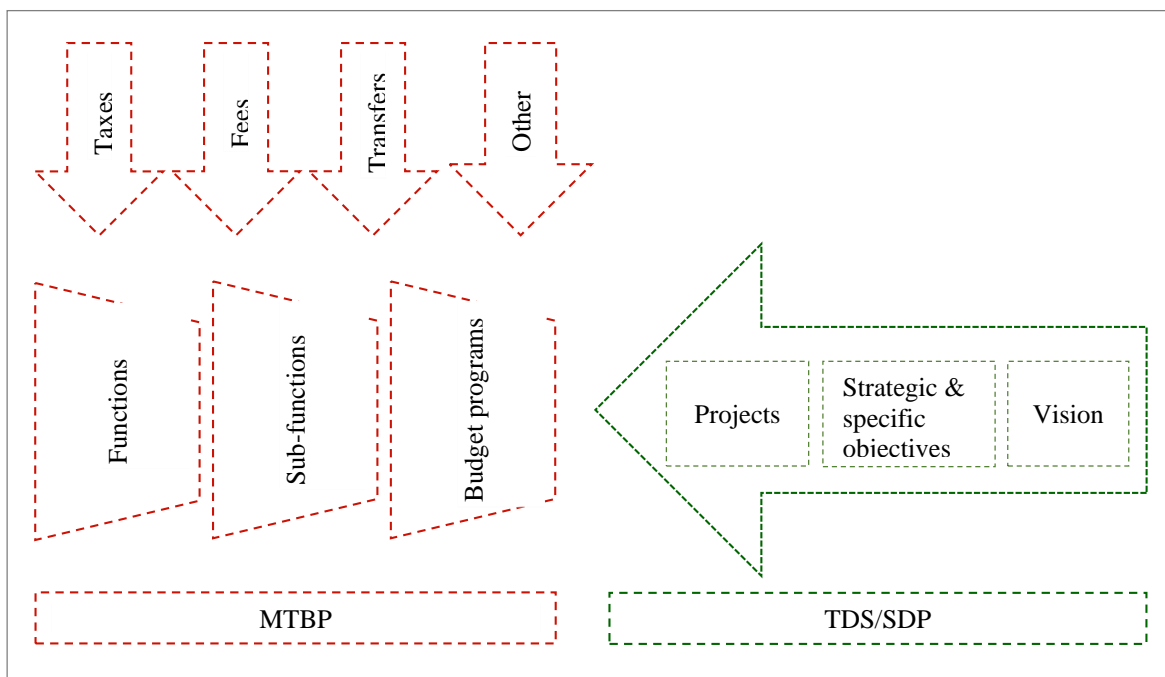
Example 6. From functions to budget programs

FUNCTION		SUB-FUNCTION		PROGRAM	
04	Economic affairs	041	General economic, commercial, and labor issues	04130	Support for economic development
				04160	Market issues, inspection, and accreditation
		042	Agriculture, forests, fishing, and hunting	04220	Agricultural services, inspection, food, and consumer protection
				04240	Irrigation and drainage management
				04260	Forests and pastures management
		045	Transportation	04520	Rural roads network
				04570	Public transportation
				04571	Public transportation management
		047	Other industries	04740	Development projects
				04760	Tourism development

Expenditures classification by functions, sub-functions, and programs also includes a standardized coding system. Every function has a two-digit code, every sub-function has a three-digit code, and every budget program has a five-digit one. These codes cannot be altered, as they are registered in the electronic system of the treasury. To facilitate the process, all functions, sub-functions, and budget programs are explained in the handbook for the use of the FPT and the standard instruction on the preparation of the MTBP.

As aforementioned, the preparation of the MTBP starts with the initial assessment of the available financial resources. Based on this information, in the next step, the latter are allocated to each budget function or program. In addition, the division between current and capital expenses (budget ceilings) is specified for every budget program. If a specific project is not included in a program's activities, then, no funds are made available for this project, neither in the MTBP nor in the annual budget proposal. Hence, to undertake and execute projects, it is necessary that the projects listed in the CIP (TDS) are also included in the activities of the respective programs.

Figure 2. The link between the TDS and the MTBP



Source: FPT 2018

Figure 2 shows in a schematic way the whole process of how the GLP, the strategic guiding document for the long-term development, is connected with the MTBP, which serves as the implementing instrument of the GLP. On the right side of the figure, the main GLP elements are shown: vision, strategic objectives, and investment projects. On the left side, the two main elements of the MTBP are visible: above, the revenue sources, and below, the expenditures classified according to functions, sub-functions, and budget programs.

For each year covered by the MTBP, it is necessary to determine the financial resources required for the implementation of prioritized TDS projects. The inclusion of these projects in the MTBP is facilitated by the financial planning tool. The following figure is taken from this instrument, it shows that the direct costs of a project must be presented according to the economic classification for each MTBP year. Furthermore, the current costs of a project must also be identified and placed below, on the left side of the figure.

Example 7. Expenditures and funding sources during the three-year cycle of the MTBP

14 Program 7		042 Agriculture, forestry, fishing and hunting											
15 EXPECTED EXPENDITURES							15 EXPECTED REVENUES						
							2015	2016	2017	2018	2019	2020	
18	EXPECTED EXPENDITURES		12'000	21'000	40'000	0	0	0	ESTIMATED REVENUE FROM FEE				
19													
20	EXPECTED EXPENDITURES							ESTIM. REVENUE FROM FEE					
21	DIRECT COSTS FOR PROJECTS & CAP. INVESTMENTS							15'000	24'000	33'000	0	0	0
22	Salaries	600			0	0	0	ESTIMATED EARMARKED REVENUES					
23	Social insurance	601			0	0	0	0	0	0	0	0	
24	Goods & other services	602			0	0	0	0	0	0	0	0	
25	Subsidies	603			0	0	0	21'000	0	0	0	0	
26	Current domestic transfers	604			0	0	0	0	0	0	0	0	
27	Current international transfers	605			0	0	0	18'000	27'000	37'000	21'000	0	
28	Transfers to individuals & families	606			0	0	0	ESTIM. EARMARKED REV.					
29	Capital investments	230 / 231			0	0	0	33'000	51'000	70'000	21'000	0	
30	Reserves	609			0	0	0	EXPECTED REVENUES					
31	Interests for direct loans or bonds	650			0	0	0						
32	Other	69 / ?			0	0	0	NET AMOUNT REQUESTED					
33	DIRECT COSTS FOR PROJECTS &				0	0	0	-21'000	-30'000	-30'000	-21'000	-	
34	RECURRENT COSTS							NET AMOUNT REQUESTED					
35	Salaries	600			0	0	0	Commitments					
36	Social insurance	601			0	0	0	Total Amount per Activity					
37	Goods & other services	602			0	0	0	21'000	81'000	85'000			
38	Subsidies	603			0	0	0	Purpose					
39	Current domestic transfers	604			0	0	0	Capital investments					
40	Current international transfers	605			0	0	0	Goods & other services					
41	Transfers to individuals & families	606			0	0	0	Further purposes					
42	Capital investments	230 / 231			0	0	0	STOP	STOP	STOP			
43	Reserves	609			0	0	0	Technical explanations					
44	Interests for direct loans or bonds	650			0	0	0						
45	Other	69 / ?			OK!	0	0					0	
46	RECURRENT COSTS				0	0	0						
47													
48	EXPECTED EXPENDITURES		12'000	21'000	40'000	0	0	0					

Let us take an example: the construction of a new irrigation system. The direct costs for the construction of this system must be placed in the upper part of the figure, while the recurrent costs, such as system maintenance, must be placed in the lower part.

When preparing a project, its funding scheme is one of the principal components to be planned. Along the left side, the project costs are shown, capital or recurrent; in addition, the proposed form has also a right side, reserved for funding information. Under “expected revenues,” the head of the program management team must record expected own-source revenues from fees, conditional transfers, donations, etc. The net amount requested is the total of expenditure for an activity within the budget program in a certain year minus the fees and the earmarked revenues for the activity in this year. The net amount requested must be covered by the not earmarked resources of the local budget.

If the duration of a project surpasses the three-year cycle of the MTBP, we will include in the MTBP only that part of the project that materializes during the pertaining period. The remaining part is to be included in the subsequent MTBP. The way in which the selected projects are to be implemented over the next three-year period is presented on the program pages of the MTBP (see example 8).

Example 8. Extract of a program page for Agriculture, forests, fishing, and hunting

Important projects (maximum 3: information source: GLP/TDS, project fiches)			
Activity	Project title and brief description	Start	End
01xyz			
01xyz			

Goals	Objectives	Indicators	Target			
			t	t+1	t+2	t+3
		Management plan for forests and pastures in % of the territory				
		The improved area, in hectares, of forests and pastures				
		Percentage of cleaned irrigation canals				

Program details	t-1	t	t+1	Trend
Number of staff				

Financial information	t-2	t-1	T	t+1	t+2	t+3
Program's ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Wages and insurances						
Capital expenditures						

Comments

3. SIMULATION OF THE LOCAL BUDGETING PROCESS

Objectives

Participants of the training element on the local budgeting process:

- are informed about the legal framework, steps and principles for local budget preparation;
- can describe all the necessary steps for the preparation of the MTBP and annual budget proposal;
- are aware of the importance of the principle of inclusiveness for the budget process;
- are aware of the role of each actor in the preparation of the MTBP and annual budget proposal, including the role of the Chairman of the local government unit, of the respective council, of the finance department, and so on.

Participants are encouraged to play an active role in the training, especially during group work and discussions on innovative budgeting practices.

Content:

- 3.1 Introduction;
- 3.2 Simulation of the local budgeting process;
 - 3.2.1 Actors;
 - 3.2.2 Background;
 - 3.2.3 Secret missions;
 - 3.2.4 Simulation stages.

3.1 Introduction

In the previous section, the main elements of the budget process of the local self-government units were presented and clarified according to the existing legislation. To make the learning process more dynamic and to enable active participation of the trainees, the next section simulates the budget process. For that purpose, participants will be divided into groups with sometimes conflicting interests among them. They will be placed in a predetermined context, and each group will have to deal with secret missions. These secret missions can include specific issues such as changes in fiscal policies and the related public communication, the provision of public services, planning and promoting improved management approaches; prioritization of capital investment projects, and handling conflicts between private and public interests; handling the inclusiveness of actors; public information and public consultations, etc.

3.2 Simulation of the local budget process

Financial simulation is an educational game which aims to illustrate the modus operandi (or the expected modus operandi) of various actors during the budgeting process in Albania, according to legislative provisions. This “game” represents a simplified simulation of the budget preparation process and invites participation from the interest groups. Each participant has a secret mission (unique according to the role), which must be completed during the budget process.⁶ The result for each group will be assessed by the completion, or not, of this secret mission. The simulation will take place in different rounds⁷, and the event will happen in two phases.

- The beginning of the budget preparation process (budget preparation exercise)
- The approval of the budget and conclusions.

Trainers will moderate and facilitate the game process throughout all rounds. Trainers can change the rules, or present new rules, depending on the game’s dynamics. Trainers can provide legal references or theoretical approaches during the game to assist the learning process.

3.2.1 Actors

All the actors must be informed about the applicable legislation and understand their roles and responsibilities during the preparation process of the medium - term budget program (MTBP) and annual budget proposal. The specific tasks for each actor are specified in the secret mission of each group. Given the game’s dynamics, the trainer might choose or convey additional duties to specific actors. The game identifies the following groups of actors:⁸

- Minister of Finance: (1 person) This role will be played by the trainer. His/her main goals are to facilitate the preparation process of the MTBP and annual budget proposal and to provide legal references and theoretical approaches when deemed helpful.
- Mayor and his/her cabinet (3 persons, 1 chairman and 2 vice-chairmen)
- SMG & PMT (5 persons)
- Municipal council (5 persons + 1 Secretary)
- Business community (5 persons)
- Citizens (6 persons)
- NGO/Media (3 – 5 persons)

3.2.2 Background

⁶ The subsequent sub-chapters explain in detail the steps to be followed during the simulation. In this instance, the completion of the budgeting process refers to the budget approval by the municipal council.

⁷These rounds are specified in the subsequent sections of this chapter. The participation of each actor in the different rounds is described in the game’s handbook and in their respective schedules.

⁸ The number of groups varies according to the number of participants in the training session. Actors may be added or omitted from the process, if the trainer deems such changes as reasonable.

Local government has undergone great changes in the last two years. The local government units were reduced from 373 units to 61 new municipalities. In 2015, a new law on local government was passed (law no. 139/2016 “*On local self-government*”), and in 2017, the new law on local finance was approved (law no. 68/2017 “*On local self-government finance*”). All these swift changes created confusion and complicated the preparation of the MTBP and annual budget proposal. In this situation, the Mayor, work groups, and municipal staff are concerned regarding the provision of public services, given the ever-increasing citizens’ needs and demands in the municipality of [assign a name].

The elected mayor⁹ is a person with integrity and professional spirit, willing to contribute to the city’s development and to offer high-quality local services. The mayor understands his function, duties, and responsibilities toward the citizens.

The municipality has just approved the General Local Plan which includes the Territorial Development Strategy and consequently the vision and strategic objectives for long-term development:

- O1. Support for the sustainable development of agriculture as the main employment sectors;
- O2. Support for the growth of ecotourism as a supporting and complementary sector of agriculture;
- O3. Control of the territorial development to reconcile the needs of present citizens with those of future citizens;
- O4. Protection of natural resources, which are the basis of economic development and citizens’ long-term well-being.

In order to implement the municipal Territorial Development Strategy, the workgroup (hereinafter referred as the SMG) and the mayor must identify, at least, 3 projects for each of the aforementioned strategic objectives.

The identified projects must be ranked and discussed between the SMG and the mayor, in order to decide which ones will be implemented. This process is necessary given that the investments will be funded only by own-sources, which are limited (adverse economic and fiscal year) and can cover only 3 projects/investments. The investments prioritization will be decided in an open debate between: the SMG, the mayor, the business community, citizens, and civil society organizations. In this public hearing, interest groups may also discuss on raising new taxes and on alternative solutions to the problem.

On the other hand, after the election of the new mayor and the GLP approval, interest groups, such as construction businesses, service suppliers, citizens looking for a job, media etc. demand attention from the mayor. Furthermore, due to the budgetary limitations, the mayor and the

⁹ The assignment of the mayor will be decided by a fair election process among the training participants.

SMG will inform about changes (increases) in some of the local taxes (tax on infrastructure impact of new buildings, etc.)

3.2.3 Secret missions

A. Mayor

His/her secret mission is to sub-contract a company to manage urban waste collection and disposal for the three subsequent years. At the present time, a company specialized in this business and which operates in a neighbor municipality has presented an offer. The mayor must convince the community that this is the most efficient way to get high-quality service. On the other hand, he must negotiate with the aforementioned company to get a lower price than the offered. Attention, the mayor wants to be reelected!

B. Municipal council

Their secret mission is to refuse and not approve (by providing reasonable justification) the budget proposal at the first meeting. The council demands information regarding investment projects from the mayor. Attention, the council's goal is to remain active until the end of the regular mandate and not be dismissed before the next elections!

C. Workgroup

The workgroup must convince the mayor that the three priority projects, chosen by the group, are those that best represent his vision regarding the development of the municipality. The workgroup must present the process of selecting the investment priorities. In addition, one of the members of the group is a stakeholder in a construction business (this will be communicated privately).

D. Citizens

The secret mission of the community is to address the citizens' initiative (whatever is chosen by them). For this mission, they must lobby with the mayor to push forward their initiative.

E. Business

Following the mayor's declaration on a tax increase (tax on infrastructure impact of new buildings), the construction businesses exert pressure to reduce it. More specifically, one of the businesses plans to build a new mountain resort.

F. Civil society's organizations

Their secret mission is to lobby for the approval of a project, related to environmental protection, during the meeting on investment prioritization.

G. Media

Media's secret mission is to broadcast breaking news, after the meeting on investment prioritization, where they can report and comment on the mayor's decision-making as influenced by the interest groups (business community).

3.2.4 Simulation's stages

The participants in the training simulate a budget preparation process, which includes all the relevant actors. For this reason, it is necessary that the simulation follows certain stages, which are described below:

- The election of the mayor: the participants propose two candidates, who will undergo a voting process (necessary equipment: paper, box, pen);
- The elected mayor appoints two deputy mayors;
- The establishment of the groups of actors (we provide the guidelines for the membership in the groups; they are self-selected) and their assignment at the respective tables (necessary equipment: A4 paper and markers);
- Each group receives a closed envelope with its secret mission, which should not be disclosed to members from the other groups (envelope, mission for each group);
- The mayor presents the municipality's strategic objectives and announces increases in local taxes and fees;
- The workgroups, SMG and PMT, meet to identify 12 investment projects and prepare their presentation (in paper);
- The workgroups consult the deputy mayors on the investment projects until they agree on a final list.
- Civil Society's organizations and the community have to identify at least one project to propose and push through during the whole budget process;
- Public hearing: interest groups discuss and decide on the investment prioritization (necessary equipment: flip chart, markers of different colors);
- Prioritization of investment projects (the evaluation criteria can include: urgency; generation of revenues; job creation; number of beneficiaries; fit with local strategic objectives). The evaluation is done on a scale 1-5, where 1 is the minimal score and 5 is the maximal score.

Example 9. Investments prioritization

	Criterion 1	Criterion2	Criterion3	Criterion4	Criterion 5	Total
	Urgency	Revenues generation	Job creation	Number of beneficiaries	Fit with strategic objectives	
O1P1						
O1P2						
O1P3						
O2P1						
O2P2						
O2P3						
O3P1						
O3P2						
O3P3						
O4P1						
O4P2						
O4P3						

- After the public hearing, media prepares a press release (the media group writes a brief report and presents it);
- Municipal council meets to present the budget (especially, the investment projects);
- Workgroups revise the budget and participate in the second meeting, during which the budget is approved.
- The next local elections are held with two candidates; one of them must necessarily be the incumbent.

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Annex

Following, the standard templates for the presentation of each program in the MTBP as required by the standard budget instruction of MFE 2018. For each sub-function it is provided a short explanation, definition of budget program and what do they contain.

FUNCTION 1: GENERAL PUBLIC SERVICES

Sub-function 011: Executive and legislative organs, financial and fiscal affairs, external affairs

Overview		
The development of the local government unit, the management of the finance of the local government unit, other resources and human resources, the functioning of the general internal processes and communication with the public. Services supporting the mayor of the local government unit or council;		
01110	Planning, management and administration	<ul style="list-style-type: none"> • Development and implementation of general staff policies; • General public services such as: procurement services, maintenance and keeping of documents and archives of the local government unit, buildings owned or occupied by the local government unit, central parks of vehicles, printing and IT offices etc.; • Administration, operation and provision of support services to the mayor of the local government unit, the council and the committees of the council; • Statistical services and local databases; • Production and dissemination of public information, technical documentation and statistics on issues and services for community development.
01120	Financial and fiscal issues	<ul style="list-style-type: none"> • Administration of financial and fiscal issues and services; management of the funds of the local government unit etc.; • Local government unit treasury operations, budget office, revenue administration, accounting and auditing services; • Production and dissemination of general information, technical documentation on financial and fiscal issues and services.
01170	Civil Registry	<ul style="list-style-type: none"> • Central government funds for the delegated function of civil registry in local government units.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information ¹⁰	t-1	t	t+1	Trend
Staff number				

¹⁰ General information on specific data of the program, especially number of full time and part time employed staff, information for local level, technical equipment etc.

Financial information¹¹						
	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 017: Local borrowing services

Overview		
This sub-function includes the relationship of the local government unit to the creditors and the internal debt service of the local government unit		
01710	Payment for the internal debt service	<ul style="list-style-type: none"> • Payment of interests for the local government unit public debt; • Amortization of loans, etc.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information

¹¹ For the following financial information, go to Budget Request Form and FTP respective sheet to obtain the necessary information.

	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling				M52	N52	O52
Gross expenditures	B48	C48	D48	E48	F48	G48
Program revenues	J29	K29	L29	M29	N29	O29
Net expenditures	J34	K34	L34	M34	N34	O34
Salaries and social insurance				M56	N56	O56

For capital expenditures go to sheet [F15] and take the following information:

Capital expenditures	Column C [F15]	Column D [F15]	Column E [F15]	Column F [F15]	Column G [F15]	Column H [F15]

	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

FUNCTION 3: PUBLIC ORDER AND SAFETY

Sub-function 031: Police services

Overview		
Administration of police issues and services which are necessary for the performance of functions in the service of order, peace and welfare of public works, prevention and detection of informality within the territory of the local government unit.		
03140	Local Police Services	<ul style="list-style-type: none"> Ensuring protection, peace and security of life and public works within the territory of the local government unit, in accordance with legal provisions, when they are not within the competence of any other state authority; Execution and enforcement of acts issued by the Mayor of the Local Government Unit and decisions of the Council of the Local Government Unit;

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 032: Fire-protection services

Overview
Guaranteeing fire-fighting service at the local level and administration of relevant structures; Prevention, fire protection and coping with other emergencies arising from natural hazards or road traffic accidents.

03280	Fire protection and civil protection	<ul style="list-style-type: none"> • Functioning of firefighting units and other fire prevention and protection services; • Support of fire prevention and protection training programs; • Fire prevention and protection services; • Civil defense and administration of relevant structures; Civil protection services, such as mountain rescues, beach survey, evacuation of flooded areas, etc.
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Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 036: Relations with community

Overview		
Measures of the local government unit to increase citizens' trust and the relationship of the local government unit with the community. For co-operation purposes, the local government unit plans activities that help to provide services closer to the needs and needs of citizens.		
03600	Community relations	<ul style="list-style-type: none"> • Local government unit activities to foster mutual understanding and sense of belonging within the local government unit, trust and support for local authorities; • Increasing the active participation of citizens in decision-making through the organization of activities for this purpose.

Important projects
(max 3; information sources: projects in GLP/SDP)

Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

FUNCTION 4: ECONOMIC ISSUES

Sub-function 041: General economic, trade and labour issues

Overview		
Administration of general economic and trade issues and services; Strengthening economic development and local employment.		
04130	Economic development support	<ul style="list-style-type: none"> • Drafting, implementation and monitoring of the general economic and trade policies of the local government unit; • Central government funds for the delegated business registration and licensing function; • Maintaining contacts with central government and business to ensure regional development policies and guaranteeing economic development; • Functioning or support with local economic and trade development policies within the local government unit; • Support and promotion of local businesses to the benefit of economic development within the territory of the local government unit; • Organization of services in support of local economic development, such as information on businesses, promotional activities etc. • Publishing information brochures, creating economic portals, etc. • Grants, loans or subsidies to promote general policies and local economic and trade programs to promote employment;
04160	Market service, accreditation and inspection	<ul style="list-style-type: none"> • Regulation of activities in local market squares or support for market infrastructure; • Capacity building through the establishment and functioning of new local markets and trade network. •

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						

Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 042: Agriculture, forests, fisheries and hunting

Overview		
Support for sustainable development of agricultural production, consumer protection, irrigation and drainage management.		
04220	Agricultural services, inspection, food safety and consumer protection	<ul style="list-style-type: none"> • Establishment, completion, storage and updating of a plot-based information system for agricultural land, containing information on the exact location, size and ownership of plots; • General information, technical documentation and statistics on agricultural issues and services; • Administration and protection of agricultural lands and other categories of resources; • Organization or support of livestock farming services; • Administration of fishing and hunting services; protection, enhancement and rational harvesting of fish and wildlife; supervision and discipline of freshwater fisheries, coastal fishing, fish farming, hunting of wild animals and hunting licenses; • Creation and administration of local grant schemes for agriculture and rural development. • Food control, consumer protection. • Central government funds for the delegated function of land administration and protection;
04240	Irrigation and drainage infrastructure management	<ul style="list-style-type: none"> • Construction or organization of flood control systems, irrigation and drainage systems, including grants, loans and financing for such works; • Administration, use and maintenance of irrigation and drainage infrastructure under the responsibility of local government units.
04260	Forestry and pasturage administration	<ul style="list-style-type: none"> • Administration of forest issues and services; • Conservation, expansion and rational harvesting of forest reserves; • Administration of public forest and pasture stock; • Supervision and disciplining of forestry operations and licensing of logging. • Organization or support for reforestation, pest and disease control, forest fire-fighting and fire prevention services and provision of services to forestry operators; • Production and dissemination of general information, technical documentation and statistics on forestry issues and services; <ul style="list-style-type: none"> • Grants, loans or grants to support forestry commercial activities; • Distribution of pastures, including grazing management.

Important projects (max 3; information sources: projects in GLP/SDP)

Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 045: Transport

Overview		
Construction, rehabilitation and maintenance of local roads and road signage within the jurisdiction of the local government unit.		
04520	Rural road system	<ul style="list-style-type: none"> • Construction and maintenance of road systems and transport structures (roads, bridges, tunnels, parking lots, bus terminals, pedestrian streets and bicycle lanes etc.) and street signage of public sidewalks and public squares under the administration and responsibilities of the local government unit; • Studies on rehabilitation, improvement, new constructions in road transport systems under the administration of the local government unit; • Taking measures to facilitate the traffic and control of the rural road system of the local government unit;
04570	Public transport	<ul style="list-style-type: none"> • Contracting private transport companies for providing local public transport services; • Supervision and regulation of local public transport services of private companies (approval of passenger tariffs and of timetable/schedule and frequency of services, etc.); <ul style="list-style-type: none"> • Production and dissemination of general information, timetables, etc. of local public transport system operations; • Grants, loans or financing to support the operation, construction, maintenance or upgrading of local public transport systems and structures.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information						
	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 047: Other industries

Overview		
Encouraging development projects aiming at economic growth and tourism in the local government unit, as well as the development and promotion of tourism.		
04740	Development projects	<ul style="list-style-type: none"> Construction, maintenance, expansion, improvement and operation of relevant structures in order to promote development projects for the local government unit. Drafting and monitoring of projects aiming at the sustainable development of the local government unit.
04760	Tourism development	<ul style="list-style-type: none"> Administration of local tourism issues and services; promotion and development of local tourism. Functioning of local tourist offices, organization of publicity campaigns, including the production and distribution of promotional literature of a similar nature; Improvement of the urban visual spaces of the municipality, through the maintenance of cultural and tourist facilities that encourage the growth of visitors by turning the local government unit into a tourist attraction.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information						
	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

FUNCTION 5: ENVIRONMENTAL PROTECTION

Sub-function 051: Waste management

Overview		
Waste collection, storage/depositing and treatment, cleaning of streets, squares, marketplaces, alleys, public gardens, parks, etc.		
05100	Waste management	<ul style="list-style-type: none"> Administration, supervision, inspection organization or support of waste collection, treatment and disposal systems; Collection, removal and treatment of solid and household waste. Grants, loans or financing to support the construction, maintenance or upgrading of these systems; Cleaning streets, parks etc.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 052: Sewage management

Overview		
Functioning of sewage and waste water treatment system. Building and management of collector systems, sewage/sanitation systems, pipes and pumps to remove all waste water (rain water, household water and other polluted waters).		
05200	Sewage management	<ul style="list-style-type: none"> Administration, supervision, inspection, operation or support of sanitation and sewage treatment systems; Grants, loans or financing to support the construction, operation, maintenance or upgrading of sanitation and sewage treatment systems.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information						
	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 053: Pollution reduction

Overview		
Air and climate protection, ground and ground water protection, noise and vibration reduction as well as protection against radiation.		
05620	Environmental protection programs	<ul style="list-style-type: none"> Administration, supervision, inspection, operation or support of activities relating to pollution abatement and control Grants, loans or subsidies to support activities relating to pollution abatement and control Construction, maintenance and operation of pollution monitoring systems

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01110			
01120			
01130			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 056: Environmental protection

Overview		
The program covers support activities and overall policies for environmental protection.		
05630	Environmental awareness raising	<ul style="list-style-type: none"> Administration, coordination and monitoring of policies, plans, programs and budgets for the promotion of environmental protection; Production and dissemination of general information on environmental protection and awareness raising. Identification, control and management of water resources within the territory of the local government unit.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

FUNCTION 6: HOUSING AND COMMUNITY FACILITIES

Sub-function 061: Urban planning

Overview		
Planning and development of appropriate dwellings in the local government unit.		
06140	Local Urban Planning	<ul style="list-style-type: none"> • Development, updating, coordination and monitoring of urban development plans; • Planning, administration, development and controlling the territory, in the manner prescribed by law. • Grants, loans or grants to support the expansion, upgrading or maintenance of housing stock; • Issue of new building permits; land development and other activities that affect the urban planning of the local government unit; • Administration, coordination and monitoring of general plans, plans, programs and budgets related to housing; • Distribution of public information, technical documentation and statistics on housing issues and services; • Provision of necessary land for construction of dwellings; construction or purchase and remodelling of residential units for the general public or for people with special needs; the elimination of degraded construction associated with housing security; • General planning including the formulation, updating, coordination and monitoring of the General Local Plans/ Strategic Development Plans; • Drafting zoning plans and building rules.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						

Capital investment						
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Comments

Sub-function 062: Community development

Overview

Living development and improvement activities.
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06210	Development programs	<ul style="list-style-type: none"> • Designing, administration, coordination and monitoring general policies, plans, programs and budgets related to community services; • Administration of issues and services for community development and community development; • Planning of new communities or rehabilitated communities;
06260	Local public services	<ul style="list-style-type: none"> • Planning for improvement and development of structures such as recreation, common and relaxing areas for the community; • Planting flowers, shrubs and decorative trees, which improve the green space of the local government unit; • Replacement of paved sidewalks with quality material that improves the public space and increases the quality of service to citizens; • Construction, rehabilitation and maintenance of public cemeteries, as well as the guarantee of public funeral service; • Parks, gardens and public green spaces; • All other public services according to the specifications of each local government unit.

Important projects (max 3; information sources: projects in GLP/SDP)

Project code	Title and short description of the project	Begin	End
06210			
06260			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 063: Water supply

Overview		
Provision of potable/drinking water for the residents and businesses within the local government unit territory		
06330	Water supply	<ul style="list-style-type: none"> Administration of water supply problems; Supervision and discipline of all water supply problems, including water cleanliness, price and quantity controls; Establishment or operation of expanded capacities in the local water supply service; Production and dissemination of public information, technical documentation and statistics on water supply issues and services; Grants, loans or financing to support the construction, maintenance or upgrading of water supply systems.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 064: Street lighting

Overview	
Provision of street lighting in the local government unit	
06440	Street lighting <ul style="list-style-type: none"> Administration, installation, operation, maintenance, improvement of street lighting, public facilities; Development and regulation of street lighting standards.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						

Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

FUNCTION 7: HEALTH

Sub-function 072: Primary health care services

Overview		
Construction, rehabilitation and maintenance of primary health care facilities and organization of educational and promotional activities at the local level; Providing health care to all individuals and families.		
07220	Primary health care services	<ul style="list-style-type: none"> Construction, rehabilitation and maintenance of primary health care facilities and organization of educational and promotional activities at the local level, which are related to health protection, and the administration of centers and other services in the field of public health, in the manner prescribed by law.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

FUNCTION 8: RECRETATION, CULTURE, RELIGION

Sub-function 081: Recreational and sporting services

Overview		
Organization of recreational and recreational activities, development and administration of institutions and facilities related to the exercise of these functions.		
08130	Sport and recreation	<ul style="list-style-type: none"> • Operation or support for structures for activities or sport events (playgrounds, tennis courts, swimming pools, jogging lanes, boxing rings, skating rinks, gyms etc.); support for local teams in sports activities; Supporting structures for activities or sporting events (structure for the stand of spectators, especially places equipped for card games, table games, etc.); • Grants, loans or funding to support teams or individual players. • Operation or support for recreational facilities (parks, beaches, camps and residences) provided on a non-commercial basis.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						
Comments						

Sub-function 082: Cultural services

Overview		
The program operates or supports cultural facilities and organises or supports cultural events in the municipality.		
08220	Cultural heritage, artistic and cultural events	<ul style="list-style-type: none"> • Development, protection and promotion of cultural heritage values of local interest, as well as administration of facilities related to the exercise of these functions; • Support of historic sites, zoos and botanical gardens; • Development, protection and promotion of libraries and reading facilities for the purpose of general civic education; • Support for museums, art galleries, theaters, exhibition halls; • Organization or support for cultural events (concerts, stage productions and films, artistic performances, etc.); • Provision of cultural services; administration of cultural issues; supervision and regulation of cultural structures; • Organizing cultural activities and promoting national and local identity.

Important projects (max 3; information sources: projects in GLP/SDP)						
Project code	Title and short description of the project				Begin	End
01xyz						
01xyz						
Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						
Comments						

FUNCTION 9: EDUCATION

Sub-function 091: Primary and pre-school education

Overview
Supports primary and pre-school education. Administration and adjustment of pre-school education system in kindergartens and crèches.

09120	Primary (basic) education including pre-school education.	<ul style="list-style-type: none"> • Salary expenditures for kindergarten teachers and supporting staff; • Training curricula for educators and teachers; • Supplying and supporting kindergartens with food; • Construction and maintenance of school structures/facilities.
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Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 092: Pre-university education

Overview		
Supports pre-university education, ensuring and maintaining school facilities and salaries of the supporting staff. Educational curricula and training for teachers.		
09230	General middle education	<ul style="list-style-type: none"> • Construction and maintenance of school institutions; • Construction, rehabilitation and maintenance of schooling buildings of the pre-university education system, with the exception of vocational schools; • Salary expenses for supporting staff; • Administration, inspection, organization or support for transport, food, shelter, medical and dental care for school children; • Support for further teacher training.
09240	Vocational education	<ul style="list-style-type: none"> • Construction and maintenance of vocational education institutions (dormitories only).

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

FUNCTION 10: SOCIAL PROTECTION

Sub-function 101: Sickness and disability

Overview		
Creation and management of social services at the local level, for people in need, people with disabilities, children, women, women who are heads of household, battered women (victims of violence), trafficked persons, mothers or parents with many children, elderly people, etc. in the manner prescribed by law.		
10140	Social care for sick and disabled people	<ul style="list-style-type: none"> • Monetary or in-kind benefits, such as day-care assistance for persons temporarily unable to work due to illness or injury (home help, transportation facilities, etc.); • Monetary or in-kind benefits to persons who are wholly or partly unable to engage in economic activity or to lead a normal life due to physical or mental injuries; • In-kind benefits, such as: mealtime meals provided to disabled persons in suitable facilities, assistance to disabled people in performing everyday tasks (home help, transportation facilitation, etc.), daily allowance for the person caring for a disabled person, vocational training and other trainings provided to promote job and social rehabilitation of disabled persons, services and benefits provided to disabled persons, to participate in cultural or entertaining activities or to travel or participate in community life; • Administration, operation or support for social protection schemes.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

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Sub-function 102: Old age

Overview		
Providing money and in-kind assistance to elderly people, to facilitate their daily lives in the integration of social life and to ensure their accommodation.		
10220	Social insurance	<ul style="list-style-type: none"> Administration and maintenance of residential centers for the elderly; Money and service benefits versus age-related risks (loss of income, lack of independence in carrying out everyday tasks, reduced participation in social and community life, etc.); Administration and organization or support of such social protection schemes.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information						
	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 104: Family and children

Overview		
<p>Providing assistance in money and in kind, to provide social protection for families and children. Construction and administration of centres for provision of local social services. Coverage of costs for providing kindergarten service to local units for children aged 0 to 3 years.</p>		
10430	Social care for families and children	<ul style="list-style-type: none"> • Money and in-kind benefits for families with child custody; • Money benefits, such as payments for mothers with babies, birth grants, parental care benefits, child or family payments, other periodic or immediate(one-time) payments to support families or to help them afford costs of specific needs (for example, single-parent families or families with disabled children). Partial support for electricity bill and water consumption and sanitation services; • Financial assistance for the payment of a baby-sitter who cares for children during the day; • Shelters and food provided to children and families permanently (orphanages, foster families, etc.); • Goods and services provided to children or those caring for them at home; • Services and miscellaneous goods provided to families, young people or children (recreation or leisure centers); • Administration, organization or support of social protection schemes; • Expenditures for covering crèches service by local government units; • Money and in-kind benefits for socially marginalized people or at risk of social exclusion (such as extremely poor people, people with low income, immigrants, indigenous people, refugees, alcohol and drug abusers, victims of criminal violence, etc.); • Benefits in cash, as salary compensation and other payments for poor or weak people, to help alleviate poverty or in difficult situations; • In-kind benefits such as short-term and long-term shelter and meals for poor and weak people, services and goods to help people, such as counselling, shelter, day care, food, clothing, fuel, etc. ; • Central government funds for the delegated function of economic aid and disability payments.

Important projects (max 3; information sources: projects in GLP/SDP)

Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments

Sub-function 105: Unemployment

Overview		
Provision of benefits in cash and in kind to provide social protection for unemployed persons; taking measures to reintegrate unemployed people into the labor market and reduce the risk of unemployment for particular groups.		
10550	Unemployment, education and training	<ul style="list-style-type: none"> • Money and in-kind benefits for people who are able to work, available for work, but are unable to find suitable employment; • Payments for targeted labor force groups participating in training schemes aimed at developing their employment potential, compensation for loss of employment, other periodic or immediate payments to the unemployed, in particular for long-term unemployed people; • In-kind benefits such as moving and relocating payments; • Vocational training for unemployed people or retraining for people who are at risk of losing their jobs; • Accommodation, food or clothing for unemployed people and their families.

Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend
Staff number				

Financial information						
	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						
Comments						

Sub-function 106: Social housing

Overview		
The program provides social protection to facilitate appropriate housing for persons in need.		
10661	Social housing	<ul style="list-style-type: none"> • In-kind benefits to help families afford the cost of housing;

		<ul style="list-style-type: none"> • Construction and administration of apartments for social housing, in the manner prescribed by law; • Administration, organization or support of such social protection schemes; • Temporary or long-term payments to assist the lessees/tenants for the cost of the lease/rent; • Administration of housing issues and services; promotion, monitoring and evaluation of housing development activities; • Income for various groups of families and individuals in need; • Money benefits, such as income support and other cash payments for poor and vulnerable people in order to reduce poverty or assist in difficult situations.
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Important projects (max 3; information sources: projects in GLP/SDP)			
Project code	Title and short description of the project	Begin	End
01xyz			
01xyz			

Strategic goals	Objectives	Performance indicator	Target			
			t	t+1	t+2	t+3

Program information	t-1	t	t+1	Trend		
Staff number						
Financial information	t-2	t-1	t	t+1	t+2	t+3
Overall program ceiling						
Gross expenditures						
Program revenues						
Net expenditures						
Salaries and social insurance						
Capital investment						

Comments



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