

Ministry of Finance and Economy

Government of Albania

**2018 BUDGET TRANSPARENCY REPORT**

March 2018

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|  | List of Acronyms |
| DLDP | Decentralisation and Local Development Programme |
| LM | Line Ministry |
| MoFE  MTBP | Ministry of Finance and Economy  Medium Term Budget Program |
| PPP  PFM  TA | Public Private Partnership  Public Finance Management  Technical Assistance |
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1. **Improving the quality of budget documents produced during 2018**

Albania produces and publishes all 8 key budget documents classified as indispensable in the context of transparency.

Detailed information on these 8 documents is presented as follows:

1. *Pre-Budget Document*

It is approved and published the Medium Term Budget Program (MTBP) 2019-2021, which is organized in a more user friendly manner. MTBP document has been redesigned by introducing a short summary for each Line Ministry (LM) of their medium term policy objective in terms of predicted cost and outcomes. Part of the MTBP document is also an annex where views and opinions of civil society about the medium term budget have been presented, during the public consultation of it.

This document and all annexes can be download on the following link:

<https://financa.gov.al/programi-buxhetor-afatmesem-2019-2021-faza-ii/>

1. *Executive’s Budget Proposal*

The package of 2019 budget draft-law was prepared by the Ministry of Finance and Economy and contains information structured as follows:

* A brief technical summary of the proposed budget.
* A detailed description of the economic situation of the country and the comparison with the regional countries.
* A forecast of key macroeconomic and fiscal indicators for the next three budget years.
* A detailed description of planned revenues by type and how will affect the achievement of the objectives of government policy. A special section is dedicated to tax expenditures explanation.
* Detailed budget expenditures by functional classification, economic classification, program and source of funding classification.
* Local Budget;
* An analysis of the level of debt, its composition by source of funding, and the level of guarantees.
* Contingent liabilities and possible measures.
* Minimize the extra budgetary risk / Public Private Partnership (PPP) information on current and planned to be taken, respective annual payment from the state budget, etc.

Draft Annual Package is published on the Ministry of Finance and Economy (MoFE) on the link:

https://financa.gov.al/projektbuxheti-2019/

1. Citizen Budget

Citizens Budget for 2019 was prepared by the Ministry of Finance and Economy and published at the same time when the package of 2019 budget draft-law was send for approval to the Council of Ministers. For the preparation of this document we were assisted and supported by Public Finance Management (PFM) Technical Assistance (TA). The document is structured in a way that is understandable to the public. This document can be accessed in the link below:

<https://financa.gov.al/wp-content/uploads/2018/12/Web_buxheti_19.pdf>

1. Enacted Budget

The complete package of the approved budget for 2019 can be accessed at the following link:

<https://financa.gov.al/buxheti-2019-fillestar/>

Also, complete packages of the revised budget law for 2018 (Normative Act n.1 and nro.2) are published and can be accessed in the link below.

<https://financa.gov.al/buxheti-2018/>

1. In-year Reports

Monthly reports of income and expenditure at aggregate level and entity-level are prepared and can be accessed at the following link:

<https://financa.gov.al/3014-2/>

Based on the above-mentioned consolidated fiscal indicators, a narrative monthly analysis is prepared and published within the half of the upcoming month. It focuses in analyzing both, consolidated expenditure and revenue main items, their progressive fiscal and budget performance, compared to their monthly registered actual levels.

1. Mid-year Report

Mid-year Report for 2018 has been prepared and published in the MoFE webpage. Covering the budget and fiscal performance of the year’ first half, it is going to be a permanent document prepared on a yearly basis, which can be accessed at the following link:

<https://financa.gov.al/raporti-i-mes-vitit-mbi-zbatimin-e-buxhetit-2018/>

1. Year-end Report – The other-wisely called “Annual Consolidated Budget Report”, analyzes the annual performance of the Government finances for the past year. For year 2018, based on the legal deadline, this report is in progress since it should be prepared and submitted for approval to the CoM within the **end of May 2019**, and subsequently to the Assembly for final approval by a specific law.

These reports can be accessed on the following link: <http://www.financa.gov.al/al/raportime/buxheti/buxheti-ne-vite/buxheti-faktik-nder-vite>

1. Audit Report – In progress (will be published within October 2019).

Also, other important reports prepared and published are:

* 2018 Budget Performance Monitoring Reports - These 4-months based reports are published periodically on the official website of each line ministry and institution. In the MFE’s website are also published all the DMB’s Analysis Reports of the performance monitoring (periodic and annual) for each LMs, together with their respective links. The MoFE’s analysis, containing specific recommendations and suggestions, are officially sent to each LM, based on the above mentioned Guideline. The links are shown below: <http://www.financa.gov.al/al/raportime/buxheti/raporte-monitorimi>
* 2018 Periodic Reports on Arrears Monitoring - These 4-months based reports include progressive data broken-down by each LMs and a short analysis of the newly created arrears. The arrears monitoring system in place aims to properly capture the size, maturity, and composition of the stock of arrears. Both, the periodic and annual progressive monitoring reports, are regularly published on the MoFEs official website, following the below link: <http://www.financa.gov.al/al/raportime/shlyerja-e-detyrimeve-te-prapambetura>

**Local Government Budget transparency report for the year 2018**

In the medium term the MoFE will enforce the implementation of the law no. 68, dated 27.04.2017 "On local self-government finances", in all local government units. With the adoption of this law and the sub-legal acts that are expected to be implemented, the fundamentals of good local finance management have been laid down. Considerable work has been done on the preparation of guidelines and by-laws aiming to improve and to unify the reporting formats for budget execution of LGUs. The approved guidelines are: “On the preparation of the MTBP”, “On monitoring the implementation of the local budget”.So, in this direction during 2018, MoFE in cordination with different donors has organized trainings, meetings and workshops with all local units.

* *Consultation and training with the LGUs on standard MTBP and local budget monitoring guidelines, performance indicators and mid-term financial planning instrument.*

Organized 3 regional meetings in Pogradec, Vlore and Durrës to introduce to all local units, the new guidelines for MTBP process and budget monitoring process, with the aim to increase local government unit’s capacities.

Main Issues discussed: Standard Instruction for MTBP in local level and monitoring process (Description of the instruction, the procedures followed during the drafting of MTBP, explanation of the annexes). Introduction of the main performance indicators for each program in local level.

Participants: LGUs, MoFE and Decentralisation and Local Development Programme (DLDP).

* *Establish a help desk in MoFE to assist all local units in understanding and using the new Financial Instrument for preparation of the MTBP 2019-2021.*

The aim of the help desk was to be part of the medium term budget program process and helped them in some direction:

All local units used this new instrument on the preparation of Medium Term Budget Program 2019-2021. First impact was positive, because helped municipalities to plan in an effective and efficient way. In the medium term the Ministry of Finance and Economy will continue to monitor the usage of Financial Planning Tool for all local units and will develop the instrument in the direction to include the performance indicators in it.

Participants: MoFE, DLDP, LGUs

* *Strengthen implementation of the local government financing law and PFM practices*

On 21, 22 and 26 November 2018 was organized a workshop on Ministry of Finance and Economy’s (MoFE) support to, and oversight of, sub-national Public Financial Management (PFM). The objective of the workshop was to launch the project funded by SECO "Strengthening Public Finance Management at the Local Level" and to prepare the action plan by identifying the weaknesses of the PFM at the local level. The overall objective of the Project is to contribute to strengthening public finance management (PFM) at the local level in Albania to enable better fiscal discipline, efficient use of public funds and improved services to citizens. The project, which will last for 5 years, will support 15 pilot municipalities in the first phase (2019-2020), and then (2021-2023) will be extended to all 61 municipalities in Albania. The project will also assist the Ministry of Finance and Economy (MoFE) to strengthen PFM related processes, increasing efficiency in revenue collection, formulation, execution and monitoring of the budget, as well as internal audit and auditing.

Participants: MOFE, local experts, Local Finance Project.