



**REPUBLIC OF ALBANIA  
ASSEMBLY**

**L A W  
No. 68/ 2017  
ON LOCAL SELF-GOVERNMENT FINANCE**

Based on articles 78, 83/point 1, 157 of the Constitution, with the proposal of the Council of Ministers,

**THE ASSEMBLY  
OF THE REPUBLIC OF ALBANIA**

**D E C I D E D:**

**CHAPTER I  
GENERAL PROVISIONS**

**Article 1  
Scope of the Law**

The scope of this law is:

- a) To define 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.
- b) To sanction the basic regulations for determining the size and allocation of intergovernmental transfers,
- c) To define policies, instruments and procedures for the management of local public finances,
- ç) To regulate other important matters for the financing of local government functions.

## **Article 2**

### **Purpose of the Law**

The purposes of this law are:

1. 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 Law;
2. To guarantee the transparency and predictability of intergovernmental transfers to local self-government units;
3. To ensure the adequacy of financial resources to local self-government units for the financing of their functions and competences.
4. To guarantee the fiscal autonomy of local self-government units by regulating their powers to set and collect local taxes and fees.
5. To contribute to the sustainable economic, social and territorial development by defining an effective mechanism for fiscal equalization.
6. 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.
7. To set rules for the allocation of local financial resources in accordance with local strategic priorities and local community needs.
8. To ensure gender equality in planning and spending of public financial resources of local self-government units;
9. To define instruments and procedures for the management of local finances and regulate the relationships with the central government in this field;
10. 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 the purposes prescribed in law.

## **Article 3**

### **Definitions**

For the purposes of this law, the following terms are defined as:

1. “Local self-government units” are the municipalities and regions, as defined by the Constitution and the Local Self-Government Law.
2. “Councils of local self-government units” are the representative bodies of municipalities and regions, as defined by the Constitution and the Local Self-Government Law.

3. “Budget” shall mean the entirety of revenues, receipts and expenditures of local self-government units, approved by the council of the local self-government unit.
4. “Medium term budget program” shall mean the three-year planning of local expenditures, directly connecting budgetary programs with activities, products, objectives and purposes of the budgetary policies.
5. “Overdue liabilities towards third parties”, shall mean all types of financial liabilities not paid within the timeline defined in the law or the respective agreements;
6. “Own source revenues” shall mean all types of revenues generated and administered at the local level, under the authority of local self-government units, following the applicable legislation;
7. “Local tax” shall mean a mandatory and non-refundable payment in the budget of local self-government units, regulated by law and paid by every person that exercises a public right or benefits from a public service in the territory of the local self-government unit.
8. “Shared tax or charge” shall mean a national tax or charge defined in the Law regulating Tax Procedures, or other specific fiscal laws, the revenues from which are shared completely or partially, with the local self-government units following the regulations of this law;
9. “Tax Base” shall mean the value over which the local tax is applied. For the purposes of this law, the value shall mean the property, revenues, prices or values of the transactions;
10. “Local Fee” shall mean a payment made by an individual, and a physical or legal person in exchange for a particular service received, public good used or a right given by the local self-government unit;
11. “Unconditional transfer” shall mean a transfer from the state budget for the local self-government units, given without any condition, interest or repayment obligation;
12. “Conditional Transfer” shall mean a transfer from the state budget or third parties to the local self-government unit, that can be used exclusively for the delegated functions and the economic account for which it is being transferred, or the provisions of the legal framework or the agreement.
13. “Specific transfer”, is a type of the conditional transfer for local self-government units that shall be used exclusively for the local function it is transferred and following the specific cases provided in this law;
14. “Publication”, shall mean making public the decisions and reports of the local self-government unit in the Public Notification Bulletin, in the official website of the unit, and any other additional form of divulging information to the general public.

#### **Article 4**

##### **Principles of Fiscal autonomy**

1. Local self-government units are guaranteed by law the right to create revenue in an autonomous manner, in compliance with this law and the other legal acts.
2. Local self-government units are guaranteed the right to receive an unconditional transfer from the state budget, which is allocated according to criteria defined in law.

3. Local self-government units are guaranteed the right to benefit from the sharing of national taxes and charges, which are allocated according to criteria defined in law.
4. Local self-government units have full autonomy in using own source revenues, the unconditional transfer and revenues from shared taxes.
5. Proposals for amendments to the legal framework that reduce the level or types of local revenues, and/or that transfer new responsibilities at the local level, shall be previously consulted with local self-government units.
6. In cases when local taxes or fees are reduced or removed from the central government, local self-government units are compensated in full, through an increase in the unconditional transfer and/or shared taxes, and/or the transferring at the local level of another national tax, or a combination of the above.
7. Functions and competences transferred or delegated to local self-government units, as well the imposition of new national standards for the execution of a function shall always be accompanied with the financial means necessary for their implementation.

## **Article 5**

### **Principles and rules for fiscal discipline and the financing of local functions**

In managing local finances, local self-government units shall abide to principles defined in the Law regulating the management of the budgetary system in the Republic of Albania, as well as to the following principles:

- a) Local self-government units prepare their annual budgets and medium-term budget programs based on realistic forecasts of revenues and expenditures based on previous years' actual out-turns.
- b) Changes to local fiscal policies on local taxes and fees are approved with a decision of the council of the local self-government unit, no later than 30 days after the National Assembly has approved any change in the legislation affecting local government fiscal revenues. The decision of the council of the local self-government unit approving local taxes and fees is published within 15 days from its approval.
- c) Local self-government units must ensure the financing of their strategic priorities, in accordance with the national sectorial and cross sectorial policies and in agreement with the community's needs.
- ç) The medium term budget programs and the annual budgets shall be consulted with the community and interest groups of the local self-government unit.
- d) Local self-government unit may not lower local taxes or fees in the last year of the mandate, with the exception of cases when there is a detailed plan that is previously approved by the municipal council.
- dh) Local self-government units may cooperate with other local self-government units for the realization of their responsibilities, including consultation and coordination on strategic priorities, to ensure the use of public financial resources in an efficient, effective and economical manner,.

e) Tax arrears older than 18 months from the deadline provided in the applicable legislation for their compliance shall not be included in the revenue and expenditure projections for the coming year's budget. The use of such windfall revenues shall be enabled through the revision of the annual budget, following the provisions of article 46 of this law.

## **CHAPTER II**

### **ROLES AND RESPONSIBILITIES FOR THE MANAGEMENT OF LOCAL FINANCES**

#### **Article 6**

##### **The competences of the council of the local self-government unit**

The council of the local self-government unit approves:

- a) The main directions of the general policy related to the finance field;
- b) The strategic development priorities of the unit,
- c) And revises local fiscal policies in compliance with the applicable legislation,
- d) The medium term budget program and the annual budget,
- dh) local borrowing and measures to ensure the sustainability of the financial management system.

#### **Article 7**

##### **The competencies of the Chairman of the local self-government unit**

1. The Chairman of the local self-government unit proposes to the council the strategic development priorities of the of the unit, 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.
2. The Chairman is responsible for the execution of the decisions of the council and reports to the council when prescribed by law, at least every six months or as many times as requested by the council.
3. As a rule, in managing local public finances, the Chairman of the unit is the authorizing officer. The chairman of the local self-government unit may delegate this competence, in written, to his deputy or one of his deputies.

#### **Article 8**

##### **Competencies of the Minister of Finance**

1. The minister of finance is responsible for developing and promulgating a set of rules, standards and procedures for financial management at the local level.

2. The minister of finance monitors periodically the implementation and compliance of local self-government units with the applicable legislation and intervenes in the cases prescribed in this law and other legal acts in force.

#### **Article 9**

##### **The Consultative Council between the central government and local self-government units**

1. The Consultative Council between the central government and local self-government units, established as prescribed in article 12 of the Law “On Local Self-Government”, represents the main forum where the central government consults with local self-government units on draft-laws, draft-decisions of the council of ministers, draft-policies and draft-strategies that regulate or have a direct impact in the exercise of the rights and obligations of local self-government units.
2. The Consultative Council discusses also the functions and responsibilities delegated at the local level; the decentralization of new functions or competences; and policy-proposals that affect local government interests, in compliance with the applicable legislation
3. Local self-government units are consulted on their finances, the sufficiency and stability of their resources for the achievement of purposes and the carrying out of services defined in Law no. 139/2015 “On Local Self-Government” and other applicable legislation.

### **CHAPTER III**

#### **OWN SOURCE REVENUES OF LOCAL SELF-GOVERNMENT UNITS**

##### **Article 10**

##### **The financing of local self-government units**

Local self-government units shall be financed from local taxes and fees and other local revenues, funds transferred from the state budget, funds from shared national taxes and charges, local borrowing, donations and any other local source defined by law.

##### **Article 11**

##### **Types of local taxes**

1. Local self-government units have the right to administer local taxes following the provisions of the legislation in force
2. The types of local taxes are defined below:

- a) A Tax on Immovable Property, which includes a tax on buildings, a tax on agricultural land and tax on urban land, as well transactions conducted on them;
- b) A Tax on the infrastructure impact of new buildings;
- c) A Hotel Accommodation Tax;
- ç) A tax on billboards;
- d) Temporary Taxes established as prescribed by law;
- dh) Local taxes on the economic activity of small businesses;
- e) Taxes on personal income, taxes on revenues derived from donations; inheritances, testaments, and from local lotteries;
- ë) Other taxes defined in law.

## **Article 12**

### **Common regulations for local taxes**

1. Local self-government units shall create and maintain a register of all the taxpayers' liable to pay local taxes and fees, based on categories of fiscal liabilities, including fiscal abatements or exemptions for specific categories of taxpayers. The form and coding of the register is determined by the Ministry of Finance. Statistical information on such register is shared with the ministry of finance at least once a year
2. The base of all taxes and fees, as well as their rates and levels, any exemptions or abatements, their payment schedules, and the applicable fines and penalties must be published and made available to the public.
3. Local self-government units, by decision of the council and through a transparent and competitive procedure, may enter into agreement with each other or third parties to administer or collect their own source revenues.
4. Revenues from the tax on the infrastructure impact of new buildings shall be used mainly to finance local public investment.
5. The council of the local self-government unit may increase or decrease by 30% the indicative level of the property tax for every applicable category of taxpayers.

## **Article 13**

### **Rules for establishing local temporary taxes**

1. 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.
2. The establishment of a temporary tax shall be preceded by the development of a plan that, as a minimum, clearly indicates the following:
  - a) the specific service or public investment that shall be financed from the temporary tax;

- b) 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 they expected to be collected;
  - c) 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;
3. This plan shall be presented to the public in at least three public hearings conducted over a period of no less than five months.
  4. After these public hearings, the plan must be approved by the Council of the local self-government unit.
  5. Temporary taxes may also be imposed for purposes that serve only particular areas of the municipality.
  6. The tax base for the temporary tax is the property tax obligation assessed for every taxpayer within the territory of the local self-government unit.
  7. The tax rate for temporary taxes shall not exceed the limit of 35% of the tax base established in point six of this article.
  8. 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.
  9. Local self-government units may not adopt more than two temporary taxes within the same budget year.

#### **Article 14**

##### **Local fees**

1. Local self-government units may impose fees for a service provided, or a right given to individuals, physical and legal persons.
2. The level of the fee shall be oriented at recovering the cost of the service provided by the local self-government unit.
3. 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.
4. The level of local fees is determined by the local self-government council, except otherwise stated by specific laws.
5. Local self-government units may raise revenue from the following fees:
  - a) Fees for the occupation of public space
  - b) Fees for the waste collection and disposal
  - c) Fees for water supply and sewerage systems
  - ç) Fees for irrigation and drainage;
  - d) Fees for administrative services provided, including licenses, permissions, authorizations etc.
- DH) Temporary fees, in accordance with circumstances set by law



- e) Other fees for local services, as approved by the council of the local self-government unit;
- ë) Other fees, as prescribed in law.

## **Article 15**

### **Fees for the occupation of public space**

1. Local self-government units may impose the following fees for the use of public space:
  - a) Utilization 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 road motor vehicles;
  - ç) Using areas for camping, setting up tents or other facilities for temporary use;
  - d) Using waterfront areas for business and any other purposes;
  - dh) Commercial signboards placed outside the business premises on facilities and areas owned by the local self-government unit (roadways, pavements, green areas, poles, etc.);
  - e) Keeping and using navigable equipment and vessels, and other facilities in rivers and lakes;
  - ë) Restaurants and other catering and entertainment facilities on rivers and lakes;
  - f) Using public space to house road motor vehicles and trailers excluding agricultural vehicles and machinery;
  - g) Using public space for keeping construction material;
  - gj) Other local fees that may be set with a decision of the local self-government unit council.
2. The imposition of fees must be made according to the following principles:
  - a) The location where the activity is undertaken, on which the fee is being charged, and
  - b) The objective and visible characteristics of individuals, legal or physical persons undertaking the activity.
3. The municipal council determines the fee level, for all zones and users, including abatements and exemptions, and deadlines and methods of fee payment.

## **Article 16**

### **Local fees for administrative services**

The local self-government unit council may charge fees for the production of official documents from the local self-government unit. If the allowable level of these fees is not specified in other legislation, than these fees must reflect the actual costs of the service for which they are being paid.

## **Article 17**

### **Other fees for administrative services**

Local self-government units may charge fees for the protection and improvement of the environment. The level of these fees defined by decision of the Municipal Council can only be imposed on activities whose effect on the environment is clear, measurable and attributable to specific activities.

#### **Article 18**

##### **Utility fees**

1. Local self-government units propose or approve, following the applicable legislation, fees for solid waste collection and disposal, and for water supply and sewage treatment.
2. The level of fees for local utility services shall aim to cover costs and shall be directly proportional to the consumption from individuals, and physical and legal persons.
3. 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.

#### **Article 19**

##### **Revenues from assets and economic activities**

1. Local Governments may raise 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.
2. Local Governments may earn revenue from the sale of locally-owned property as prescribed by the applicable legislation.
3. Revenue from the sale of municipal assets with a useful life of greater than one year shall be considered capital revenues and may only be used for investment purposes.
4. 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.
5. The sale or lease of properties and assets of local self-government units, in every case, shall be subject to a transparent and competitive procedure. Assets and properties offered for sale or lease must be published together with the criteria that shall be fulfilled, following the applicable legislation.

#### **Article 20**

### **Revenues from donations**

1. Local Governments and their agencies have the right to receive donations that must be recorded in the local self-governments' budget.
2. Donations received by agencies or organizations owned or subordinated to a local self-government unit must report these donations upon their receipt.
3. Donations in goods and materials must be registered as municipal assets.
4. Revenues from donations are not considered current revenues for the purpose of calculating local governments' debt limits.
5. Donations received by local self-government units are always made public, including the name of the donor, the amount and the purpose of the donation.

### **Article 21**

#### **The financing source of the Regions**

1. Regions shall obtain their financial resources from regionally derived revenues and from national sources.
2. Regionally and nationally derived revenues include:
  - a) Unconditional transfers from the state budget;
  - b) Conditional transfers for the performance of functions and competences delegated from municipalities;
  - c) Regional taxes defined by law;
  - ç) Fees for public services provided by the region.
3. Regions shall be financed from quotas of membership of municipalities, as defined in the annual municipal budget. The membership quota for the financing of the regional budget is set with a decision of the municipal.
4. The criteria and rules for the creation and administration of revenues from regional sources are similar to the criteria and norms prescribed in this law for municipalities.
5. The revenues from national sources for the region are created and administered according to the manner described in this Law and other applicable laws.

## **CHAPTER IV**

### **TRANSFERS FROM THE STATE BUDGET AND OTHER TRANSFERS**

#### **Article 22**

### **Types of transfers from the state budget**

1. Local self-government units receive unconditional and conditional transfers and shared taxes or fees from the central government.
2. Local self-government units have full autonomy in using the unconditional transfer and revenues from shared taxes.
3. The conditional transfer is used for the purpose and in the manner determined by the entity that gives the transfer.

### **Article 23**

#### **The unconditional transfer**

1. The unconditional transfer from the state budget is given to local self-government units to finance their functions and competencies as defined by law.
2. 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, following article 23 of the Law “On the management of the budgetary system in the Republic of Albania”.
3. In every case the size of the unconditional transfer cannot be smaller than the sum allocated the previous budget year.
4. At the expiry of the transitory period defined for the decentralization of new functions, the total size of the unconditional transfer shall be increased with the size of the specific transfers that is decided that will be included in the unconditional transfer. The inclusion in the unconditional transfer of funds designed to finance recently decentralized functions, where necessary, shall be accompanied with the revision of the formula allocating the unconditional transfer to ensure adequate financing and continued service delivery.

### **Article 24**

#### **The allocation of the unconditional transfer among local self-government units**

1. The unconditional transfer to local self-government units is allocated through the formula published and explained in the Annexes of the Annual Budget Law. The unconditional transfer is allocated to Municipalities and the Regional Councils;
2. The formula allocating the unconditional grant to municipalities follows, but is not limited to the criteria below:

## *Discussion Draft*

- a) Resident population, as measured by the last Census and corrected with the civil status register data, following a coefficient published in the annual budget law's annexes. Up to 80% of the total pool shall be allocated through this criterion;
  - b) Population density, reflecting differences in service delivery costs among local self-government units; Up to 15 % of the total pool shall be allocated through this criterion;
  - c) Number of pupils in the pre-university education system. No less than 5% of the total pool shall be allocated through this criterion;
3. The unconditional grant allocation formula provides for the fiscal equalization between local self-government units. Fiscal equalization is based on:
- a) The fiscal capacity of every municipality, which for the purposes of this law, shall be calculated as the total actual revenues from shared taxes of every municipality collected/received the previous year;
  - b) The equalization threshold, which for the purposes of this law, shall be calculated as the ratio between the per capita revenues from shared taxes of the municipality with the national average of the same taxes, above or below which, the municipality benefits from or contributes to the equalization fund of the unconditional grant as defined in this law or in the annual budget law.
  - c) The equalization coefficient, which for the purposes of this law, shall be calculated as the amount that municipalities with per capita revenues from shared taxes above or below the equalization threshold should give or receive equalizing funds, as defined in this law or in the annual budget law.
  - ç) The resulting compensation fund, necessary to ensure fiscal equalization across municipalities and which for the purposes of this law, is calculated as the amount of funds necessary to ensure that all municipalities arrive at in the chosen equalization threshold.
4. Local self-government units, with fiscal capacity lower than the equalization threshold are compensated as per the pre-set equalization coefficient and the available equalization fund resulting from the contributions of those municipalities which have a fiscal capacity above the threshold.
5. The formula allocating the unconditional grant to the Regional Council follows, but is not limited to, the criteria below:
- a) Lump sum payment according to which is allocated no less than 20% of the pool;
  - b) Resident population based as measured by the last Census and corrected with the civil status register data, according to which is allocated no less than 50% of the pool.
  - c) Population density, according to which is allocated no more than 30% of the total pool;
6. The annual budget law shall contain a specific annex presenting:
- a) Three-year projections of yields of shared taxes flowing to municipalities
  - b) Three-year projections of the unconditional and specific transfers, and the transfers financing functions which are delegated at the local level;
  - c) The criteria used to allocate these transfers.

## **Article 25**

### **Revenues from shared taxes**

1. Local self-government units are entitled to specific shares of national government taxes generated in their jurisdictions, following the provisions of this article.
2. The following national taxes are shared with local self-government units
  - a) 97% of revenues from the property transfer tax imposed on individuals and 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
3. Revenues generated from shared taxes are transferred to the municipal budget within the last day of the subsequent month.
4. In cases of changes in fiscal policies affecting the actual shares and the type of shared taxes, local self-government units shall be financially compensated in accordance with their loss in revenue.

## **Article 26**

### **The unconditional transfer and the transfer of new functions to local self-government units**

1. New functions transferred to Local self-government unit must be accompanied by an increase in their revenue sources, in proportion to the costs of delivering the new functions, based on the following criteria:
  - a) The central government body responsible for the transferred function/competence calculates the average overall annual expenses incurred for the function over the last three years, for each local self-government unit.
  - b) The central government body responsible for the function prepares a report on the current level and standards on which the function is currently being delivered, its distribution across different local self-government units, including the additional costs needed to be borne to ensure the universal provision of the function across municipalities.
  - c) The reports prepared following point “a” and “b” of this article are subject to consultation with the Ministry of Finance and the Consultative Council between the central government and the local self-government units, in order to achieve an agreement and define a plan to increase the unconditional transfer and handle the legal and financial matters ensuing service accessibility.

## **Article 27**

### **Conditional transfers**

1. Conditional transfers are given for the following purposes:

2. Delegated functions,
  - a) Specific projects considered of local, regional or national interest, where there is the need for cooperation with local self-government units.
  - b) The central government body proposing the decentralization or delegation of a function and the accompanying conditional transfer must previously consult with the Consultative Council between the central government and the local self-government units.
3. The annual funds to be allocated in the form of conditional transfers as per letter “b” of paragraph 2 of this article, must be previously be planned in the medium term budget program of the respective central government’s bodies. The criteria and procedures for the allocation of such funds are sanctioned in the annual budget law.
4. The central government bodies responsible for the allocation of conditional transfers must publish, as part of their annual budget proposal and the budget execution report, a specific annex listing all conditional transfers to local self-government units, including their purpose, beneficiaries, the total amount, the amount already transferred and the part remaining to be transferred in subsequent years, until the finalization of the project.

#### **Article 28**

##### **Specific/Transitory transfers**

1. 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 the determination of an equivalent and stable funding scheme.
  - b) Financing services in cases of emergencies or similar situations which present a national interest and require the cooperation with local self-government units.
2. For the specific transfers defined in point (a) of this article, local self-government units have full discretion over expenditures within the function supported by that specific transfer.
3. The value of Specific Transfers as defined in point (a) of this article, for each local self-government unit, shall be equal to no less than the average annual amount of the total expenditures spent by the central government on the devolved responsibility over the three years prior to its devolution.
4. The central government bodies, in cooperation with the Ministry of Finance are responsible for monitoring the use of funds provided for local self-government units through specific transfers.
5. Local self-government units may carry over to the next year’s budget the unspent resources from specific transfers.

#### **Article 29**

##### **Transfers and aid from other local self-government units**

Local self-government units may receive or give monetary transfers or aid from/to other local self-government units for the provision of goods and services pursuant to contractual agreements.

**Article 30**

**International transfers and aid**

1. Local self-government units may receive monetary transfers or aid from a foreign government pursuant to a specific agreement. The basic terms of such agreement shall be reported to the Ministry of Finance in compliance with applicable law, and no later than 10 business days after the reaching of the agreement.
2. Local self-government units may give monetary transfers or aid to other local self-government units in other countries for the organization of different international activities, or for civic emergencies or natural disasters. Such transfers must be approved with a specific decision of the council of the local self-government unit.

**CHAPTER V**

**LOCAL BORROWING**

**Article 31**

**Local self-government units' right to borrow**

1. Local self-government units have the right to short term and long term borrowing, in compliance with the law regulating local-self-government, local borrowing and the management of the budgetary system.
2. The Ministry of Finance may require an independent external due diligence audit of the accounts of the local self-government unit before the approval of long term debt.

**CHAPTER VII**

**STRATEGIC PLANNING**

**Article 32**

**Local self-governments' strategic development plan**

1. The Chairman of the local self-government unit is responsible for preparing the Strategic Development Plan of the local self-government unit, which is approved by the council of the local self-government unit.
2. The strategic development plan:
  - a) Provides the policies for the sustainable development of the local self-government unit, and is prepared for at least a 5-years' time period.



b) Takes into consideration the local development needs and potentials, as well as the regional and national strategic development priorities. Such plan provides the goals for each field of local responsibility and identifies the activities and actions to be undertaken by the local self-government unit for their achievement, including the respective cost forecasts.

c) Is implemented through the medium term budget program of the local self-government unit.

3. The strategic development plan cost forecasts are based entirely on realistic revenue projections for the same time period.

4. Before its approval in the local council, the strategic development plan is consulted with the unit responsible for strategic coordination at the central government, the Ministry of Finance, the local community and interest groups, as well as other neighboring local self-government units.

## **CHAPTER VII BUDGET PREPARATION, REVIEW AND APPROVAL**

### **Article 33**

#### **The calendar of the annual budget and the medium term budget program**

1. 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 medium term budget program and the annual budget, based on the instruction of the Ministry of Finance for the standard procedures for the preparation of the budgetary requests of the central and local medium term budget program.

2. The calendar is approved by the council of the local self-government unit no later than December 21st, and enters into force the first day of each year.

3. The Chairman of the local self-government unit submits the calendar of the medium term budget program and annual budget to all subordinated spending units.

### **Article 34**

#### **Medium term forecasts of revenues and expenditures**

1. No later than January 31st, the Chairman of the local self-government unit, shall present for review and approval to the council of the local self-government unit, the report on the medium term revenue forecasts for:

- a. The two years preceding the budget year
- b. The budget year
- c. The three subsequent budget years

2. This report includes:

- a) The methods employed for the medium term revenue projections

- b) An analysis of the effects of new fiscal policies or the amendment of the existing ones
  - c) An analysis of the fiscal risks and the measures for their prevention and correction.
3. In preparing this report the local self-government unit relies on the respective instruction issued by the Ministry of Finance.
  4. The council of the local self-government unit approves the report on the medium term revenue forecasts no later than March 1st.
  5. Based on the approved medium term forecasts on revenues and intergovernmental transfers prescribed in the instruction of the Ministry of Finance on local budget preparation, the Chairman of the local self-government unit prepares and presents to the council of the local self-government unit the initial expenditure ceilings of the medium term budget program, at the program level.
  6. The council of the local self-government unit shall adopt the initial expenditure ceilings no later than March 15th.

### **Article 35**

#### **The instruction for the preparation of the local self-government unit budget**

1. No later than five days after the approval of the medium term budget program's initial expenditure ceilings, the Chairman of the local self-government unit approves the instruction on budget preparation that is distributed to all subordinated spending units.
2. The local self-government unit budget preparation instruction shall include:
  - a) The definition of the budget programs and the program management teams;
  - b) The initial expenditure ceiling for each program for the coming three years;
  - c) The deadlines for preparing the budgetary requests of the medium term budget program.

### **Article 36**

#### **The local medium term budget program**

1. The purpose of the local medium term budget program is to implement the strategic development plan of the local self-government unit, through the planning and management of local financial resources over a three years' time period.
2. The medium-term budget program of the local self-government unit reflects the creation and distribution of its medium-term financial resources, in accordance with the rules and conditions laid down in the laws and regulations regulating the management of the budgetary system. The local medium-term budget program is approved by the council of local self-government unit, on the proposal of the chairman of the unit.
3. 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".

4. The local medium term budget program includes information for the last two years, the budget year and the following three years for every program of every local self-government unit:
  - a) Each category of the local self-government unit revenues;
  - b) Expenses by Administrative functional and economic classification, for each budget program;
  - c) The program policy goals and program policy objectives, public investment projects, program products and their respective costs. At least one of the program policy objectives should address issues of gender inequality or full respect for gender equality, clearly identified products and other measurable indicators of gender-based;
  - ç) Evaluation of current and new policy costs, planned to be financed through the annual and mid-term local budget expenditures;
  - d) Information on the standards of services provided by each budget program and the level of their fulfillment.
5. Within June 1st, the Chairman of the local self-government unit submits to the Ministry of Finance the first-draft-medium term budget program.
6. The Ministry of Finance analyzes the draft-medium term budget program for each unit of local self-government and prepares and submits to all local self-government units a report with opinions by June 20th.
7. The draft-medium term budget program is presented to the council of the local self-government unit by the Chairman of the unit and is accompanied by the official opinion of the Ministry of Finance.
8. Within June 30th, the council of the local self-government unit scrutinizes and approves the first draft-medium term budget program and expresses its opinion on the opinions of the Ministry of Finance.
9. The Chairman of the local self-government unit takes all necessary measures to publish the adopted first-draft-medium term budget program by July 5th.
10. Other more detailed procedures on the preparation of the local medium term budget program preparation are determined by instruction of the Ministry of Finance.

### **Article 37**

#### **Additional instruction for the preparation of the local self-government unit budget**

1. Based on the revised medium term revenue forecasts and the intergovernmental transfers prescribed in the Additional Instruction of the Ministry of Finance for the preparation of the local self-government unit budget, the Chairman of the local self-government unit prepares and submits for approval to the council the final expenditure ceilings of the medium term budget program, at the program level. The council of the local self-government unit adopts the final expenditure ceilings of the medium-term budget program by July 20th.

2. No later than five days after the adoption of the final expenditure ceilings of the medium term budget program, the Chairman of the local self-government unit shall issue an additional instruction for the preparation of the local budget which is distributed to all subordinated spending units.
3. The additional instruction for the preparation of the local self-government unit budget includes:
  - a. The final expenditure ceilings at the program level for each of the three coming years
  - b. The terms for the preparation of the revised budgetary requests of the medium term budget program.

### **Article 38**

#### **The revised medium term budget program**

1. After receiving the Additional Instruction of the Ministry of Finance on budget preparation, the Chairman of the local self-government unit initiates work to prepare the revised draft-medium term budget program.
2. After finalizing the revised draft-medium term budget program, the Chairman of the local self-government unit shall take all necessary measures for its publication, and organizes hearings with the community and stakeholders. The minutes of such hearings in addition to the positions of the local self-government unit shall be integrated in the revised draft-medium term budget program.
3. Within September 15th, the local self-government unit submits to the Ministry of Finance the revised–medium term budget program, as approved by the council, together with information on recommendations provided by the Ministry of Finance during the first phase of the preparation of the draft-medium term budget program.
4. The Ministry of Finance organizes consultation sessions with local self-government units within October 5th. At the end of such sessions, where appropriate, by October 20th, the Ministry of Finance may submit its final opinions to local self-government units, be reflected in the final-medium term budget program.

### **Article 39**

#### **The final medium term budget program**

1. After receiving the final opinion of the Ministry of Finance and the full consolidation with the annual draft-budget, the Chairman of the local self-government unit shall prepare the final draft-medium term budget program and shall present it for consideration and approval to the council, together with the annual draft-budget within November of the budget year. The chairman of the local self-government unit, shall present the opinion of the ministry of finance and an appreciation whether such opinion is taken into consideration in a separate annex of the final medium term budget program.
2. The final medium term budget program shall be approved by the council the local self-government unit no later than December 25th.

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

## **Article 40**

### **The annual Budget**

1. After the approval of the revised draft-medium term budget program, the Chairman of local self-government unit shall prepare the annual budget-proposal.

2. The annual budget-proposal constitutes the first year of the medium term budget program.

3. The annual budget-proposal includes basic and supporting documentation as follows:

Basic documentation:

- a) Budget funds planned for the coming year following budgetary programs for each spending unit, divided into current and capital;
- b) Budget ceilings for each program, for the second and third year of the medium-term budget program;
- c) A summarized table of key budget revenues and expenditures line items, for the two preceding years and the coming three years;
- ç) The number of budgetary employees for the coming year, for each spending unit of the local self-government unit;
- d) Compliance with the fiscal rules applicable to local self-government.

Supporting documentation:

- a) Detailed information on expenditures following budget classifications;
- b) The list of public investment projects, for each program, including:
  - i. the total cost of projects;
  - ii. the amount financed in the preceding budget year;
  - iii. the amount planned to be financed in the budget year;
  - iv. the residual amount to be financed in subsequent years budget;
  - v. sources of financing;
- c) An assessment of tax expenditures as part of fiscal policies adopted for the budget year
- ç) The list of spending units of local self-government unit;
- d) The main objectives of the budgetary programs of the local self-government unit;
- dh) Information on the debt stock and an analysis of corresponding risk elements.
- e) Fiscal risks and safeguards, pursuant to the relevant instructions of the minister of finance;
- ë) Contingent liabilities and the possibility of their occurrence in the next budget year;
- f) A complete list of ongoing concessionary projects or PPPs, the total contracted value of the investment and the budgetary implications for each project, in accordance with the applicable legal framework.

- g) A summary of revenues, expenses and subsidies to companies owned by the local self-government unit.
- gj) The initial cash flow plan of the draft budget submitted for approval.
- h) Where appropriate, a summary of payment arrears to third parties, including their origin and measures for their clearance and prevention.

#### **Article 41**

##### **Preparation and approval of the annual budget**

1. The Chairman of the local self-government unit submits to the council the annual budget-proposal, as determined by paragraph 3 of Article 40 of this law, no later than November 30th.
2. Every member of the council of the local self-government unit may propose justified amendments to the budget-proposal submitted by the Chairman. Such changes need to comply with principles and rules laid down in Article 5 of this law.
3. Based on the forecasts of revenues and the unconditional transfers provided in the annual budget law, the Council, approves the draft-budget as defined in letters "a", "b", "c", " d "of paragraph 3 of Article 40, no later than December 25th.
4. In case budget-proposal is not adopted within the deadline set in paragraph 3 of this Article, the prefect shall ask to the chairmen of the local self-government unit to convene a second meeting of the council, to be held no later than January 5 the following year. If even in this case the council of local self-government unit fails to approve the budget, the Council of Ministers decides on the early dismissal of the council.
5. If the budget proposal is not adopted within the terms set in paragraph 4 of this Article, the Chairman of the local self-government unit shall initiate the interim budget procedures in accordance with applicable legislation.
6. The Chairman of the local self-government shall publish the annual budget, including its accompanying documentation, in the public notification bulletin, no later than 15 days after its approval by the council. A copy of the local annual budget shall be submitted to the Ministry of Finance no later than 5 days after its approval.

#### **CHAPTER VIII**

##### **BUDGET EXECUTION**

#### **Article 42**

##### **Revenue administration**

1. The amounts of revenues approved with the decision of the council of local self-government unit on the annual budget constitute the minimum threshold to be collected/received during the budget year.

2. The Chairman of the local self-government takes measures and is responsible for the timely collection of local revenues.
3. All proceeds collected in the treasury system on behalf of local self-government unit are transferred on a daily basis in the single Treasury account at the Bank of Albania. Local self-government units receive a daily banking information from the treasury system and a monthly report on collected revenues, in compliance with existing budgetary classifications.
4. Local self-government units make systematic assessments to identify risks and take measures to avoid tax evasion.
5. The level, duration and structure of tax arrears, should be recorded and reported as part of the periodic budget implementation monitoring.

### **Article 43**

#### **Apportionment of local budget funds**

1. No later than 5 days after the approval of the annual budget by the council, the authorizing officer of the local self-government unit shall apportion budget funds to all spending units and shall officially inform the latter.
2. Within the deadline specified in point 1 of this Article, the authorizing officer of the local self-government unit takes measures to reflect the apportionment of budgetary funds in the government's financial information system.

### **Article 44**

#### **Expenditure control**

1. After the approval of the annual budget, local self-government units shall prepare a cash flow plan for the execution of the annual budget as per the provisions of the law on the management of the budgetary system in the Republic of Albania”.
2. Local self-government unit shall prepare an annual procurement plan for all new and ongoing projects and shall submit it to the treasury office, at the beginning of the budget year. The treasury office shall check whether the procurement plan is compliant with the approved budget. The procurement plan, as confirmed by the treasury office, shall be sent to the Public Procurement Agency.
3. To perform payments, local self-government units shall submit expenditure orders to the treasury system within 30 days from the date of submission of the original bill of the economic operator, along with supporting documents justifying the expenditure as per the Treasury procedures. Procurement requests are signed by the head of the contracting authority of local self-government unit. The Treasury authorizes payment via the government's financial information system.

4. Each budget year, after April 30th, the Chairman of the local self-government unit shall prepare a summarized monthly report on the performance of revenues and expenditures out-turns against the period's plan. This report includes out-turns of the same line items in previous years, and an assessment of expected out-turns at the end of the budget. The report is submitted for information to the council of local self-government unit no later than the 10th day of the coming month, and is published.

#### **Article 45**

##### **Reallocation of budgetary funds**

The reallocation of local self-government units' budgets funds shall be conducted in compliance with rules set out in article 44 of the Law "On the management of the budgetary system in the Republic of Albania".

#### **Article 46**

##### **Revisions to the local budget execution**

The Chairman of the local government unit shall perform a thorough analysis on budget execution no later than June 30th and if necessary, proposes to the council of the local self-government unit appropriate amendments to the budget. The procedures for reviewing, approving and implementing budget amendments shall be subject to the same rules as those for the annual budget set out in Article 5 and Article 40 of this Law.

#### **Article 47**

##### **Cash management and commitment control**

1. Budget commitments shall be limited to forecasted revenue availability and approved budget appropriations.
2. The treasury system shall provide local self-government units with information on their commitment limits on a monthly basis.
3. Local self-government units shall execute commitments in the order as registered in the central government's financial information system. If local government units engage in multi-year budget commitments, they shall record such commitments for each of the following three years. If budget commitments have a longer timeframe, the residual commitment shall be recorded in the government's financial information system in January of the fourth year.

### **CHAPTER IX**

#### **MONITORING, SUPERVISION AND EXTERNAL AUDIT**



## **Article 48**

### **Local budget execution monitoring and reporting**

1. The authorizing officer of the local self-government unit shall submit to the council, whenever required, but not less than three four-monthly budget execution monitoring reports as per the provisions set out in the Instruction of the minister of finance on budget execution monitoring.
2. The implementation of the strategic development plans shall be monitored through the annual budget execution reports.
3. Budget execution monitoring reports shall be published by the authorizing officer, on the official website of the respective unit within 30 days after the end of the reporting period, and a copy is sent to the Ministry of Finance.
4. For interim reports, if and when the ministry of finance notices a serious problem in the execution of the local self-government unit's budget, the Minister of Finance prepares a report with comments and recommendations which is submitted to the chairman and council of local self-government unit.
5. Within 30 days after the submission of the annual budget execution monitoring report of the local self-government unit, the Ministry of Finance prepares a report with comments and recommendations. A copy of the report is submitted to the Chairman and council of the local self-government unit, and is published on the official website of the Ministry of Finance.
6. During the year, the authorizing officer of the local self-government unit shall report to the council's request, also on other issues related to the budget execution and public internal financial control.

## **Article 49**

### **Internal audit**

1. An internal audit unit is established in each local self-government unit. This unit performs its activities as provided for by the law regulating internal audit.
2. The internal audit unit exercises its function on the basis of the strategic and annual audit plan. The final auditing reports are submitted to the audited entity and to the Chairman of the local self-government unit.
3. The internal audit unit of the local self-government unit submits to the ministry of finance the annual report on its activity, in compliance with the applicable legislation on internal auditing.

## **Article 50**

### **External audit**

1. The financial activities and the execution of the annual budget of the local self-government units are subject to annual external auditing.
2. External auditing is performed by the Supreme Audit Institution or other legal auditors.

3. Minister of Finance and Chairman of the Supreme Audit Institution determine by joint instruction the cases when auditing is performed by other legal auditors, including procedures, terms and external auditing standards to be followed by such auditors.
4. The Chairman of the local self-government unit submits the external audit report to the council as part of the consolidated annual report on budget execution. A copy of such report is submitted to the Supreme Audit Institution and the Ministry of Finance.
5. The Chairman of the local self-government unit prepares an action plan for the implementation of the recommendations of all external audit reports, and reports regularly to the Council on implementation progress made.

#### **Article 51**

#### **Consolidated annual report on local budget execution**

1. The Chairman of the local self-government unit presents to the council a report on the financial activities and the execution of the preceding year budget, for every spending unit, no later than May 31st of the coming budget year.
2. The consolidated annual report on local budget execution shall be comparable to the annual budget plan.
3. The consolidated annual report on the local budget execution shall include but is not limited to:
  - a) The annual performance report of the local self-government unit which is based on the annual budget monitoring report;
  - b) The annual financial statements of the local self-government units, including basic and accompanying documentation as prescribed in Article 40 for the annual budget.
  - c) The external audit report.
4. The consolidated annual report on local budget execution is approved by the council of the local self-government unit within June of the coming budget year. The chairman of the local self-government unit shall publish the report and a copy shall be submitted to the Ministry of Finance, no later than 15 days after its approval.

### **CHAPTER X**

### **ACCOUNTING AND REPORTING**

#### **Article 52**

#### **Accounting**

1. The authorizing officer of the local self-government unit is responsible for the functioning and implementation of the accounting system, in accordance with the legislation in force.

2. The procedures and rules for asset management are approved by the council of the local self-government unit, in accordance with the applicable legal framework. Information about the transfer and disposal of tangible assets become part of the budget document and the annual report.
3. The standard procedures for storing, archiving and destruction of financial documents of local self-government units are conducted according to the legal provisions in force.

### **Article 53**

#### **Financial Statements and Consolidation**

1. The Chairman of the local self-government unit prepares every year the consolidated annual financial statements as per the terms specified in the respective instruction of the Minister of Finance.
2. The financial statements of institutions and spending units subordinated to or owned by the local self-government unit are consolidated or their financial position is reflected in the annex of the consolidated annual report on local budget execution.

### **Article 54**

#### **Financial reporting**

1. Each local self-government unit publishes a list of financial indicators as a separate annex of the annual budget proposal and budget execution monitoring reports.
2. Financial indicators published, include but are not limited to the following:
  - a) Ratio of total expenses to total revenues;
  - b) Ratio of local tax and fee revenues to total revenues;
  - c) Ratio of own source revenues to total revenues;
  - ç) Ratio of revenue out-turn against the period's plan and the annual plan of revenues from the two main categories of taxpayers, physical or juridical persons (households and juridical persons);
  - d) Ratio of capital expenditure to total expenditure;
  - dh) Ratio of personnel expenses to total expenses;
  - e) Ratio of long-term borrowing to total revenues;
  - ë) Ratio of long-term borrowing to own revenues;
  - f) Ratio of overdue payment liabilities to total revenues;
  - g) Ratio of tax arrears to tax revenues;
  - gj) Ratio of public private partnership expenses to total expenses;
  - h) Ratio of expenses on social care policies to total expenses;
  - i) Ratio of expenses for policies that support gender equality to total expenses.

**CHAPTER XI  
FINANCIAL DIFFICULTIES AND MEASURES FOR THEIR SOLUTION**

**Article 55**

**Financial problems**

1. A local self-government unit is considered in financial problems when in a given month of the budget year there are delays of more than 30 days in the settlement of financial obligations towards third parties and when accrued but unpaid obligations constitute 15% of approved annual expenditures.
2. If in the coming month, the stock of accrued but unpaid financial liabilities is higher than 20% of approved annual expenditures, the Chairman of the local self-government unit shall inform the council of the unit on the reasons of the situation and shall propose correcting measures to overcome such financial problems.

**Article 56**

**Financial distress**

1. A local self-government unit is considered in financial distress when delays in the settlement of financial obligations towards third parties continue to occur also in the month following the terms specified in paragraph 2 of Article 55 of this law, and when the stock of accrued and unpaid liabilities has increased progressively constituting more than 25% of approved annual expenditures.
2. The Chairman of the local self-government unit, within 20 days from the ascertainment, prepares a recovery plan which is submitted to the council. The council scrutinizes and approves the plan within 15 days from its submission. A copy of the plan as approved by the council is sent officially to the ministry of finance which could provide concrete recommendations to remedy the situation.
3. As a general rule, the recovery plan, prepared by the Chairman for the council's approval, relies on one or more of the following options:
  - a) Authorize the Chairman of the local self-government overcome distress and settle payments by using local own source revenues, within two months from the council's notification.
  - b) Use the contingency and reserve fund to reduce liabilities to third parties;
  - c) Amend the budget by revising expenditure items;
  - ç) Increase the level of taxation within the limits allowed by law.
  - d) Negotiate with creditors to restructure late payments;
4. The financial distress recovery plan approved by the council of the local self-government unit shall be published in the Public Announcements Bulletin and in the official website of the local self-government unit.

**Article 57**

### **Serious financial distress**

1. A local self-government unit is considered in serious financial distress when, in the subsequent budget year, long term debt and overdue payments towards third parties constitute more than 80% of approved annual expenditures.
2. When in serious financial distress, the chairman of the local self-government unit informs immediately the council of the unit and the ministry of finance.
3. When informed by the chairman or when identified, the ministry of finance proposes to the Council of Ministers measures to overcome the situation of serious financial distress. The Council of Ministers shall decide on:
  - a) Granting financial assistance while defining the recovery plan and the plan for repayment of the financial assistance granted;
  - b) Authorizing the ministry of finance to negotiate the restructuring of debts and overdue payments;
  - c) placing the local self-government unit under financial surveillance and authorize the ministry of finance as its financial supervisor, while strictly observing the following conditions:
    - i. The local self-government unit shall not take any decision that may lead to the increase of its financial obligations;
    - ii. The local self-government unit shall not establish new public services, establish public undertakings or any other institution;
    - iii. The local self-government unit shall not settle any financial obligation incurred prior to the declaration of financial distress, except obligations specified in the recovery plan.
4. The council of the local self-government unit, within 30 days from the placement of the unit under financial surveillance, according to paragraph 3, letter c) of this Article, shall adopt a financial recovery plan, which is submitted for approval to the Ministry of Finance. The recovery plan is prepared by the Chairman of the local self-government, assisted by the Ministry of Finance. If the local self-government unit does not submit the recovery plan within this period, the plan is prepared by the Ministry of Finance.
5. The implementation of the recovery plan is mandatory for the local self-government unit. The local self-government unit shall prepare and submit to the Ministry of Finance a detailed report on the implementation of measures under this plan, whenever requested but at least every 30 days.
6. More detailed procedures for the management of cases of serious financial distress shall be defined by instruction of the minister of finance.

### **Article 58**

#### **Termination of serious financial distress**

1. The Council of Ministers, at the proposal of the Ministry of Finance, declares that the local self-government unit shall cease to be subject to the provisions of Article 57 of this law when the following conditions are met::

- a) the local self-government unit has no payment arrears towards third parties for two consecutive years;
- b) the local self-government unit files a request to be released from measures and the Ministry of Finance considers the unit has taken measures to improve financial situation and eliminate conditions that have caused serious financial distress;

### **Article 59**

#### **Financial Insolvency**

1. The local self-government unit is considered financially insolvent if it fails to implement financial rehabilitation plan and / or the ratio of long-term debt and payment arrears to total approved annual expenditures is higher than 1.3.
2. When financially insolvent, the chairman of the local self-government unit shall immediately notify the council of the unit and the ministry of finance.
3. Upon notification from the local self-government unit or self-ascertainment, the Ministry of Finance shall propose to the Council of Ministers to place the unit under controlled administration.
4. The decision of the Council of Ministers placing the financially insolvent local self-government unit under controlled administration, shall define a recovery plan, which is mandatory for the local self-government unit organs, and the terms of its implementation.
5. More detailed procedures for the management of cases of financial insolvency shall be defined by instruction of the minister of finance

### **Article 60**

#### **Financial insolvency termination**

1. Financial insolvency and controlled administration shall be terminated, and the local self-government unit shall return to normal management and functioning as prescribed by law, when the local self-government unit is able to meet without delays all its financial liabilities towards third parties.
2. To this purpose, the chairman of the local self-government unit shall prepare a report on the financial situation of the unit placed under controlled administration, which is sent for approval to the Ministry of Finance.
3. After scrutinizing the report, but not later than 30 days from its receipt, the minister of finance shall propose to the Council of Ministers to declare the termination of financial insolvency and the return of the local self-government unit normal operation and functioning as prescribed by this law and other legal acts in force.

**CHAPTER XII**  
**VIOLATIONS AND PENALTIES**

**Article 61**  
**Administrative Violations and Penalties**

1. Any violation of the provisions of this law, shall be considered an administrative violation as sanctioned in paragraph 2 of this article.
2. A violation of this law and / or failure to act pursuant to provisions of this law, as long as they do not constitute a criminal offense, are considered administrative violations and shall be fined as follows:
  - a) When the authorizing officer of the local self-government fails to conduct consultations with the community and stakeholders pursuant to article 5, letter “ç”, and 13, paragraph 3, of this law, she/he is charged with a penalty from the principal authorizing officer that varies from 90 000- 150 000 lekë;
  - b) When the authorizing officer of the local self-government fails to publish documents in the manner and terms prescribed by article 5, letter “b”; 32, paragraph 6, 36, paragraph 9; 38, paragraph 2; 39, paragraph 3; 41, paragraph 6; 48, paragraph 3; and 56, paragraph 4, of this law, she/he is charged with a penalty from the principal authorizing officer that varies from 50 000- 100 000 lekë;
  - c) when the authorizing officer of the local self-government unit fails to comply with the legal requirements set out in article 43, point 1, 48, point 1, 3, 6, of this law, she/he is charged with a penalty from the principal authorizing officer that varies from 90 000- 150 000 lekë;
  - ç) When the authorizing officer of the local self-government fails to notify or submit to the ministry of finance the documentation pursuant to articles 12, paragraph 1; 36, paragraph 5; 38, paragraph 3; 48, paragraph 3; 51, paragraph 4; 56, paragraph 2; 57, paragraph 2 e 5; 59, paragraph 2, of this law, she/he is charged with a penalty from the principal authorizing officer that varies from 90 000- 150 000 lekë;
3. When the central government’s agencies fail to transfer funds from the state budget to local self-government units, as per the terms prescribed in article 25, paragraph 3 of this law, they shall be charged with a penalty from the minister of finance, that varies from 100 000 - 200 000 lekë;
4. When the central government’s agencies fail to submit the necessary documentation prescribed by law, on local taxes and shared taxes, they shall be charged with a penalty from the minister of finance, that varies from 100 000 - 200 000 lekë;
5. Procedures for assessing, scrutinizing, appealing and executing administrative violations and penalties shall comply with the Law “On administrative violations”.
6. Penalties shall be paid in monthly installments, pursuant to the provisions of the Law “On administrative violations”.

7. Penalties shall be executed from the finance office of the local self-government unit or the central government unit, in which the person being charged with the penalty receives her/his salary. Receipts shall be transferred to the budget of the respective local self-government unit or the central government unit.

8. The person being charged with an administrative penalty for a violation may appeal the decision to the court, within 45 days from the notification of the penalty, in compliance with the provisions of the Law “On administrative violations”.

9. For the purposes of this article, “principal authorizing officer” is the officer prescribed in article 3, of the Law “On the management of the budgetary system in the Republic of Albania”.

## **CHAPTER XIII FINAL PROVISIONS**

### **Article 62**

#### **Preparation of bylaws**

1. The Minister of Finance, within four months from the entering in force of this law, shall approve bylaws pursuant to articles 12, paragraph 1; 33, paragraph 1; 34, paragraph 3 e 5; 36, paragraph 10; 40, letter “e”; 48, paragraph 1; 53, paragraph 1; 57, paragraph 6; and 59, paragraph 5, of this law.

2. The Minister of Finance and the Chairman of the Supreme Audit Institution, within four months from the entering in force of this law, shall approve the bylaw as prescribed in paragraph 3 of article 50 of this law.

### **Article 63**

#### **Transitory provisions**

1. Temporary taxes imposed before the entering into force of this law, continue to be implemented in compliance with the applicable legislation of the time of their approval.

2. In paragraph 3 of article 4 of the Law no. 9975, dated 27.8.2008, “On national taxes” as amended”, the threshold “18 percent” shall be replaced by the threshold “25 per cent”.

3. In paragraph 3 of article 21, of the Law no. 9632, dated 30.10.2006, “On the system of local taxes”, as amended”, the sentence “Whereas for small business tax payers, the thresholds are plus 10/minus 30 percent” shall be abrogated.



**Article 64**  
**Abrogations**

Law no. 7776, dated 22.12.1993, “On the local budget”, as amended, articles 23, 24 and 25 of law no. 9869, dated 04.02.2008 “On local borrowing”, as well as any other provision of law and bylaws that is contrary to this law is abrogated.

**Article 65**  
**Entering into force**

This law enters into force, 15 days after its publication in the Official Gazette, with the exception of articles 23, 25, paragraph 1, 55, 56, 57, 58, 59 and 60, of this law, which enter into force on January 1st, 2018.

C H A I R M A N

**Iir META**

Approved on 27.4.2017