


Budget and Budget Structures

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State Budget

- The state budget is the most important economic document of a state. It is the main financial instrument for the implementation of the economic and social policies of the state.
- The budget is an annual financial planning of income and expenditure items, which makes it possible to finance the fulfillment of government functions and obligations.
- The state budget reflects the policy of a government.


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- The budget should be based on as accurate an estimate as possible, so that it is not necessary to revise it again.
 - Incorrect forecasting or corruption in the collection of tax obligations cause budget expectations not to be met.
 - However, unforeseen situations in a country such as financial crises, earthquakes, tornadoes, tsunamis, pandemics, etc., may make it necessary to review the budget.

Budget structures

- Government can be defined as a group of subjects or units that, in addition to fulfilling their political responsibilities and their role in economic and social regulation, provide public services, and redistribute income and wealth.
- A defining characteristic of government is the ability to impose, directly or indirectly, taxes, duties and other obligations.

Budget structures

- In the Republic of Albania, there are three levels of budgets: the central budget, special (independent) budgets and local government budgets.
- General government units consist of central government units, local government units and special fund units.
- By special fund we understand a fund created by law, which has tax or non-tax revenues as sources, which are used only for financing the functions or special activities of the central or local government.

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- In some states there is also a fourth division that exists in federal states.
 - In this case, the federal government and then the state government and a dedicated budget is built for it, as in the case of Austria or Germany where the federal budget is built and then the budgets of the Ländes (state divisions), which have high autonomy in managing the budget theirs.
 - The Länder are directly represented in institutions at the federal level through the Bundesrat.

The principles of the budget system operation

➤ The operating principles of the budget system are:

- Transparency
- Inclusive participation
- Compliance with budget limits
- Budget balance
- Management and monitoring

The cycle of drafting the budget

The periodic repetition of events in the budgeting process of revenues and expenses constitute the budget cycle.


The process of drawing up the draft budget until the construction of the final budget goes through the following main stages:

- Budget preparation
- Review and approval
- Budget execution
- Follow-up and review

Budget preparation

- Preparing the budget means knowing in detail the income and expenses over a period.
- In order to build the central budget, it is also necessary to build the budget of each government institution.
- When a budget of an institution, department or ministry is built, a plan is built for spending money in the coming year.
- Tax laws are consulted in advance with business representatives and other interest groups, in the structures set up for this purpose.

- *The approved budget is the means by which spending agencies are controlled.*
- In order for the implementation of the budget to be realized in function of the purpose of the policies, some basic rules must be followed during the execution of the budget:
 - The budget should include all expenses regardless of size.
 - The expenditures of each ministry must receive the approval of the Minister of Finance.
 - All expenses and income should be classified according to the same classification system in order to be comparable and understandable.


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- Transfers between budget items must be determined in advance by regulation.
 - Budget monitoring should be done on a monthly basis to understand any need for intervention, even though the budget is annual.
 - Auditing is necessary to avoid abuse of funds.
 - Estimates of all revenues and expenses must be shown in the budget in gross terms.

Review of budget implementation

- Although the monitoring of the budget must be continuous, with the aim of transparency and effectiveness throughout the year, in the month of June, the Minister of Finance presents to the Council of Ministers an analysis of the implementation of the budget for the following year.
- The number of budget revisions during the fiscal year should be very limited.
- If in special circumstances, the government is obliged to revise the budget, the revised budget must be submitted to the parliament for approval within a certain period of time.

Buxheti i qeverisjes vendore (bashkitë)

- The local budget includes all revenues, expenses and financing of the local government unit.
- The local budget includes a reserve fund and a contingency fund, undistributed, which is approved by the council of the local government unit in the annual budget decision.
- The fund is up to 3 percent of the total value of approved funds, excluding conditional transfers.

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- The local budget consists of the part of the independent budget and the part of the conditional budget.
 - The part of the independent local budget includes the revenues that are legally transferred to the budget of the municipality and the municipality.
 - The part of the conditional local budget includes the part of the funds of the central budget that is transferred to the local budget to be used in a certain destination and that is only administered by the local government bodies.
 - The annual unconditional transfer for local self-government units approved by the annual budget law is divided into quarters.

- Regarding the expenses of the local self-government units, they realize the necessary expenses to achieve the purpose and objectives of their operation.

➤ Expenses are incurred for:

- ✓ improving the necessary infrastructure for the provision of all public services.
- ✓ services with a social character such as the construction and administration of housing for social housing, the provision of services for the needy, etc.
- ✓ promoting and developing culture, cultural heritage, environmental protection, agricultural development, public safety, etc.

Independent (Special) Budgets

- Independent budgets are the budgets of the Social Insurance Institute and the Health Insurance Institute.
- These budgets have income from their own resources, but they secure part of the resources from the state budget to cover their expenses.
- Independent budgets are drawn up at the same time as the state budget.