



COMPLIANCY REPORT
ON PERFORMANCE MONITORING
AT MUNICIPAL LEVEL
DECEMBER 2020



REPUBLIC OF ALBANIA
MINISTRY OF FINANCE
AND ECONOMY

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Performance Monitoring at Municipal Level:**

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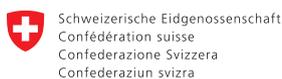
“Bashki të Forta”

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Agjencia Zvicerane për Zhvillim
dhe Bashkëpunim SDC



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List of Abbreviations

BEMR	Budget Execution Monitoring Reports
BP	Budget Programs
BtF	Bashki te Forta
CoMD	Council of Ministers Decision
DAR	Regional Directory of Education
FPT	Financial Planning Tool
INSTAT	Institute of Statistics of Albania
LF Project	Local Finance Project
LSGU	Local Self-Government Unit
MOFE	Ministry of Finance and Economy
MTBP	Medium Term Budget Plan
MTFP	Medium Term Financial Planning
MR	Monitoring Report
NEA	National Environment Agency
NA	Not Available
OECD	Organization for Economic Cooperation and Development
PFM	Public Finance Management
PI	Performance Indicator

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Preface

The Ministry of Finance and Economy has carried out in recent years important reforms, which have improved the funding sources regulatory framework of the Local Self-Government Units. This has been accompanied by the deepening of the decentralization process not only in terms of the financial sources use, but also in terms of the competencies and functions exercised by the Local Self-Government Units. Increasing the fiscal and financial autonomy of Local Self-Government, as one of the key and indispensable elements of boosting local governance and democracy, has had a significant attention during this time.

The Public Financial Management Strategy 2019-2022 was revised at the end of 2019, where strategic objectives were set in order to enhance the efficiency and effectiveness of financial management at the local level. Local Self-Government Units are responsible for a number of functions defined by local government legislation. Local government finances currently account for 9.8 percent of total public expenditures, whereas the capacities of the Local Self-Government Units to manage public funds are often weak, thus leading to inefficient spending and a lack of transparency. Other areas of concern, which the Ministry of Finance and Economy will handle, are poor revenue estimation and poor performance of revenue collection from own sources, lack of planning in the medium and long term perspective and increasing of arrears.

This is the second edition of the National Report drafted in 2020 on the monitoring of the performance of public expenditures executed at local level. It focuses on the monitoring of the execution of the performance-based budget. This report aims at identifying the challenges and achievements during the monitoring process carried out in the last two years and the objectives of the coming years in support of the historical trend that has been established last year.

Improved strategic planning and increased responsibility of the Local Self-Government Units related to the management of performance-based budget serves the tracking of achievements versus plan of the outputs presented in the Medium Term Budget Program. In 2019, trainings were conducted as part of this process in all municipalities about the performance indicators as an appropriate step for performance-based budgeting.

During the second half of 2019, several other municipalities carried out the budget execution monitoring according to the budget outputs planned in the Medium Term Budget Program based on the performance indicators. In the frame of the reform process of the local budget execution monitoring, the Ministry of Finance and Economy has relied on the main pillars as follows:

- Efficient and well-integrated monitoring of public expenditures at the local level in order to increase the efficiency and economic use of public funds **through the unification of the templates of the Local Budget Monitoring Reports.**
- On the other hand, unification of **the classification of budget expenditures**

of Local Self-Government Units with the COFOG International Classification System was accomplished in 2018. It's an important step, the effects of which were noticed during the monitoring of the local budget execution in 2019.

- During this time, **strengthening of the financial discipline at the local level** by means of putting in place principles, rules, processes and procedures of drafting, executing and controlling the budget, has aimed at preventing the creation of arrears.

Furthermore, the Ministry of Finance and Economy has adopted a Guideline aiming at the implementation of a monitoring system for the identification of units facing financial challenges. It's is considered essential to set up a Budget Monitoring System intended to provide transparency, cooperation and reporting to central bodies.

1. Introduction

The Ministry of Finance and Economy has focused its attention on the implementation of the budget execution monitoring across all Local Self-Government Units as an integral part of the financial management process at the local level. These processes are unified through the adoption of standard Guideline No. 22, dated 30 July 2018, „On standard procedures of monitoring the Local Self-Government Units budget“ and the “Strong Municipalities” Project is providing assistance to implement them. The Public Financial Management Strategy 2019-2022 aims at achieving the following outputs at the local level:

- Improvement of the role of local Strategic Planning and good budget management;
- Efficient revenue management;
- Establishment of structures to carry out an effective internal control and audit;
- Capacity building of the Ministry of Finance and Economy to run the Public Financial Management reforms at the local government level;
- Implementation of Integrated Planning System Information System - IPSIS at the local level.

The Ministry of Finance and Economy has guided through the Local Finance Directorate all the priorities of the action plan to fully achieve all the stipulations of the aforementioned Strategy. These strategic objectives of Public Financial Management at the local level will be achieved through the following:

- Improvement of the monitoring reports by focusing on the following: creation of arrears, reports on the operating expenses, staff and investments vis-à-vis their effectiveness in terms of improving the public services quality, etc.;
- Improvement of monitoring and reporting skills by conducting regular trainings of the finance and budget directorates staff to timely identify the potential challenges when executing the budget;
- Improvement of financial performance monitoring and reporting of all Local Self-Government Units by improving the quality in the approach and content of the local budget execution reporting;
- Efficient revenue management by reviewing the tax policy in order to improve the efficiency of local revenue collection, to reduce the tax gap and to tackle tax evasion and the informal economy;
- Tracking and recommendations about the very optimistic estimate of local revenues, a phenomenon, which has been accompanied in recent years by volatile budgets leading risks for the creation of arrears.

2. Methodology

Explanation of key terms



Program structure: Program-based budgeting has evolved in recent decades also with the support of the World Bank policies and recommendations pursuant to the restructuring and improvement of the existing budget processes. The methodology approved for the drafting of the Medium Term Budget Program includes the Mission Statement as part of it, in addition to setting of goals and objectives, something which explains why public money is being spent. This form of budgeting is a way to allocate resources and achieve specific objectives based on program goals and measured results.”¹

The whole planning and budgeting framework in this approach is results oriented.



Performance indicators: Measuring units that help to evaluate the achievement of objectives, which a municipality has set for each or all budget programs during one year. Performance indicators for the budget programs are usually non-financial ones.



Budget execution monitoring: Monitoring is a process of performance self-evaluation, which is achieved by means of comparing the planned indicators with actual performance, as defined in the Guideline of the Ministry of Finance and Economy No. 22, dated 30 July 2018 „On standard procedures of monitoring the Local Self-Government Units budget”.



Budget Execution Monitoring Report: It's the main reporting instrument applied by the municipalities to report on the municipal budget execution. The report provides a detailed summary of expenditures by program and economic classification through comparing the planned versus the actual figures and, therefore generating the level of budget execution.



Performance reports: Janë versionet miqësore për përdoruesit të Raporteve të Monitorimit të Zbatimit të Buxhetit që 33 bashki arritën të përgatitin për vitin 2019. Këto formate kanë prirjen të ndërthurin kërkesat ligjore për të dhëna financiare dhe jo-financiare në një format të shkurtër, konciz dhe të saktë që është i projektuar kryesisht për qëllime informimi dhe komunikimi me organin legjislativ, me qytetarët dhe me strukturat e tjera qeveritare.

1) Carter, K. *The performance budget revisited: A report on state budget reform*. Legislative Finance Paper No. 91. Denver, CO: National Conference of State Legislatures, page 2-3.

Table 1: List of 36 programs introduced by the Ministry of Finance and Economy to local government

Program name
P.1 Planning, Management, Administration
P.2 Financial and fiscal issues
P.3 Civil registry
P.4 Internal debt service payment
P.5 Local police services
P.6 Fire protection and rescue
P.7 Community relations
P.8 Support to Economic Development
P.9 Market service, accreditation, inspection
P.10 Agricultural services, inspection and food safety and consumer protection
P.11 Management of irrigation and drainage infrastructure
P.12 Forest and pasture management
P.13 Road system (rural + urban)
P.14 Public Transport
P.15 Development projects
P.16 Tourism Development
P.17 Waste Management Service
P.18 Waste water and sewage management
P.19 Environmental protection programs
P.20 Environmental awareness
P.21 Local Urban Planning
P.22 Development Programs
P.23 Local Public services
P.24 Potable water supply
P.25 Street lighting
P.26 Primary Health Care services
P.27 Sport and advertisement
P.28 Cultural heritage, artistic and cultural events
P.29 Primary and pre-school education
P.30 General (pre-university) education
P.31 Vocational education
P.32 Social care for the sick and disabled people
P.33 Social care for elderly
P.34 Social care for the families and children
P.35 Unemployment, education and training
P.36 Social housing

Table 2: Example of goals and objectives of a program

P.12 Forest and pasture management

Program Goal	Increase of local tax revenues;
	Improvement of forestry and pasturage fund;
	Increase of forestry products (chestnuts, nuts, etc.) and medical herbs;
	Increase of revenues for the residents of the forestry area;
Program objective	Increase of products from forests and pastures;
Performance indicators	Number of inspections per 1000 hectares of forests and pastures.

Guideline of the Ministry of Finance and Economy No. 22, dated 30 July 2018, "On standard procedures of monitoring the Local Self-Government Units budget" was passed pursuant to Law 68/2017 "On Local Self-Government Finances" for the monitoring and reporting cycle of the Local Self-Government Units. According to it, municipalities should draft 3 monitoring reports during a year, where the last one covers the whole year.



The Monitoring Report Structure and Content is one of the main parts, which is addressed by the Guideline, thus constituting the foundation of the report methodology. The legal requirements regarding this part are explained below:

- ✓ *Preface: General description of the budget monitoring and execution process;*
 - ✓ *Details about the policies and objectives of specific programs associated with the approach of achieving them through revenue collection and expenditures allocation;*
 - ✓ *Completion of predefined annexes where all values are listed according to the planned values and actual values of the period of time under monitoring.*
 - i)** Annex 1: Expenditures by program.
 - ii)** Annex 2: Program/economic activity expenditures.
 - iii)** Annex 3: Program outputs/performance indicators achievement.
 - iv)** Annex 4: Achievement of the programs objectives.
 - v)** Annex 5: Investment projects with international or own funds.
 - ✓ *Narrative part with explanations for each of the above templates.*
 - i)** Results by program and steps taken to improve the difficult cases due to changes compared to the original plan.
 - ii)** Level of achievement of performance indicators compared to the plan.
 - iii)** Level of achievement of outputs compared to the plan in quantity and value, therefore revealing the costs per unit.
 - iv)** Level of achievements of the goals and objectives of programs covering gender issues.
 - v)** Explanations in cases of budget expenditure changes compared to the original plan at a program or economic activity level as reflected at an output level and at performance indicators level.
 - vi)** Analysis of the local investment execution level.
 - vii)** Time line and structure of identified taxes, which aren't collected in time.
 - viii)** Key financial indicators.
- Other substantial requirements that are implied:***
- The Monitoring Report includes financial and non-financial data (outputs, such as kilometers of roads and performance indicators expressed in percentage);
 - Revenues by source and their collection is an important topic, which is found very often in accountability reports covering Local Self-Government Units finances and, which has already been found in the monitoring reports submitted by municipalities in 2018.
 - Reporting templates and descriptions of financial and non-financial data included in the Monitoring Reports should meet the requirements of the Guideline, while

they should also be user-friendly and they should be drafted in an easily readable and comprehensive language in order to communicate findings to various stakeholders.

- Last but not least, the quality and reliability of the delivered financial or technical data bears a high importance in addition to the compliance with legal requirement on the completion of the budget execution monitoring and reporting mission of the Local Self-Government Units.

According to Guideline No. 22, dated 30 July 2018, the Budget Execution Monitoring Reports approved by the Municipal Council are submitted to the Ministry of Finance and Economy for review. The Local Finance Directorate at the Ministry of Finance and Economy examines these documents. The comments and recommendations are sent back to each municipality. For the purpose of the National Report, the submitted Budget Execution Monitoring Report is examined and analyzed more extensively. The preparatory work has been carried out in three stages:

1. Deskwork:

During this stage, the submitted annual monitoring reports were carefully reviewed,

analyzed and compared against a list of legal requirements listed in Table 3, which shows all the criteria that were examined for the purpose of this report and the sample size - number of municipalities, for which the monitoring was conducted.

2. Field visits:

Field visits were carried out to almost all municipalities in order to understand challenges and progress of municipalities, especially as regards the application of performance elements, quality of reported technical and financial data, internal processes and main stakeholders involved in the drafting of the monitoring report.

3. Establishment of the database and data analysis:

Sample size: The evaluation of Budget Execution Monitoring Report is conducted in 61 municipalities. Thus, the sample includes all municipalities for most of the items subject to monitoring.

Referring to the table, the criteria are classified into the following:

- Compliance requirements criteria
- Using of the report by the Municipal Council and the community.

Table 3: Evaluation criteria and sample size

	Evaluation criteria	Municipality sample size	
Compliance Requirements	Drafting of a report.	61	
	Program structure corresponds with Medium Term Budget Program Guideline requirements.	Qualitative Method	
	Goals, objectives are specified; program codes correspond with program classifications.	Qualitative Method	
	Budget changes compared to the original plan	Qualitative Method	
	Presentation of revenues by source.	61	
	Actual revenue collection.	61	
	Expenditure by program and execution.	61	
	Reporting of expenditures by economic activity.	61	
	Reporting of financial indicators.	61	
	List of investments.	61	
	Performance elements.	61	
	Compliance of reported programs in the Medium Term Budget Program and Budget Execution Monitoring Report.	61	
	Using of the report by the Municipal Council and the community	The report is discussed in the Municipal Council.	61
		The report is posted on the Official Website.	61
Ranking of municipalities	Scoring of municipalities based on the fulfilled criteria (sample with 61 municipalities).	61	

In cases when the monitoring hasn't been carried out in 61 municipalities and the sample size is consequently less than 61, then the qualitative evaluation method is applied by following the steps presented in Table 4.

Table 4: Method used for the qualitatively evaluated elements

Step 1	Step 2	Step 3	Note	Sample
Choosing of the municipal sample 12 (1 per region)	Checking the Annexes or the Report to see whether the criterion has been met, or not.	Description of findings	It's applied for Criteria 2,3,4	Rrogozhina, Durrës Patos, Shkodra, Dibra Has, Himara, Ura Vajgurore, Dropull Librazhd, Lezha, Korça

The data are coded as follows: the element that is present corresponds to „Yes”, the element that is not present corresponds to „No”, the partially present element corresponds to „Partially”, and no available information is presented regardless of whether the element is present, or not, corresponds to „Not applicable”.

The results are analyzed in the text according to the maps. The report also provides a more in-depth analysis of the use of performance elements in the relevant chapter.

Progress of municipalities compared to last year

The status of meeting each criterion is compared to last year. The criterion is qualified as “Improved”, “Same”, “Regress” where:

Table 5: Change compared to 2018

Status	Explanation of the status
Improvement	<ul style="list-style-type: none">• If the criterion is not met in 2018, but it’s met in 2019;• If the criterion is partially met in 2018, while it’s fully met in 2019;
The same +	<ul style="list-style-type: none">• If the criterion is met, both, in 2018 and 2019;
The same -	<ul style="list-style-type: none">• If the criterion is not met either in 2018 or in 2019;
Regress	<ul style="list-style-type: none">• If the criterion is met in 2018 while it’s not met in 2019;• If the criterion is met in 2018 while it is partially met in 2019;• If the criterion is partially met in 2018 while it’s not met in 2019.

Ranking of municipalities

A compliance scoring is applied for all municipalities based on the quantitatively evaluated criteria, according to which they are ranked based on Table 5.

Table 6: Compliance scoring

Points	Standard
11 to 8.5 points	High compliancy
8.4 to 6 points	Above average
5.9 to 3.5 points	Average
3.4 to 1 points	Below average
0 points	No compliancy

Limitations: The Report is drafted primarily based on the compliance criteria, which are quantifiable and scored. The report presents also another group of equally important criteria, which are only qualitatively evaluated and, which are not scored.

Sustainability: The National Report aims at ensuring regular sustainability over the years, as a precondition for generating a more analytical output in the coming year.

3. Compliance

with the reporting criteria

3.1 Results by municipality

1. Have the municipalities drafted a Budget Execution Monitoring Report?

The Annual Budget Execution Monitoring Report was drafted by 47 out of 61 municipalities, or by about 79 percent of them in 2019. These municipalities are: Berat, Kuçova, Poliçan, Skrapar, UraVajgurore, Bulqiza, Dibra, Klos, Mat, Durrës, Kruja, Shijak, Belsh, Cërrik, Elbasan, Librazhd, Përrenjas, Divjaka, Fier, Lushnja, Mallakstra, Patos, Roskovec, Dropull, Gjirokastra, Këlcyra, Libohova, Përmet, Devoll, Kolonja, Korça, Maliq, Kur, Has, Kukës, Lezha, Mirdita, FushëArrëz, Malësi e Madhe, Shkodra, Vauidejës, Kamza, Tirana, Delvina, Saranda, Selenica and Vlora.

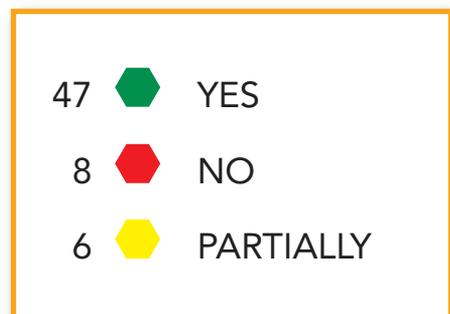
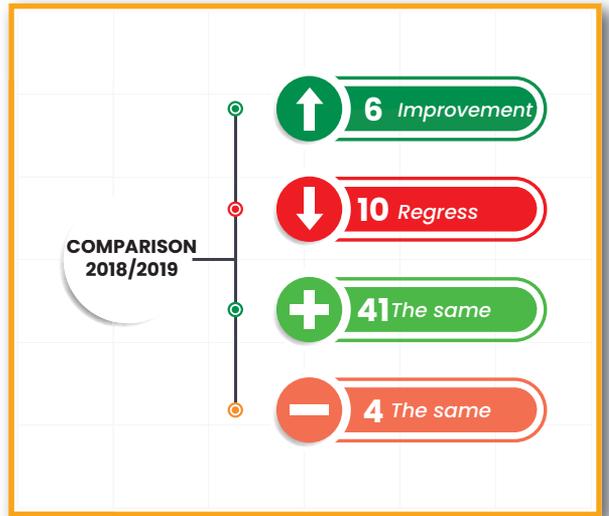
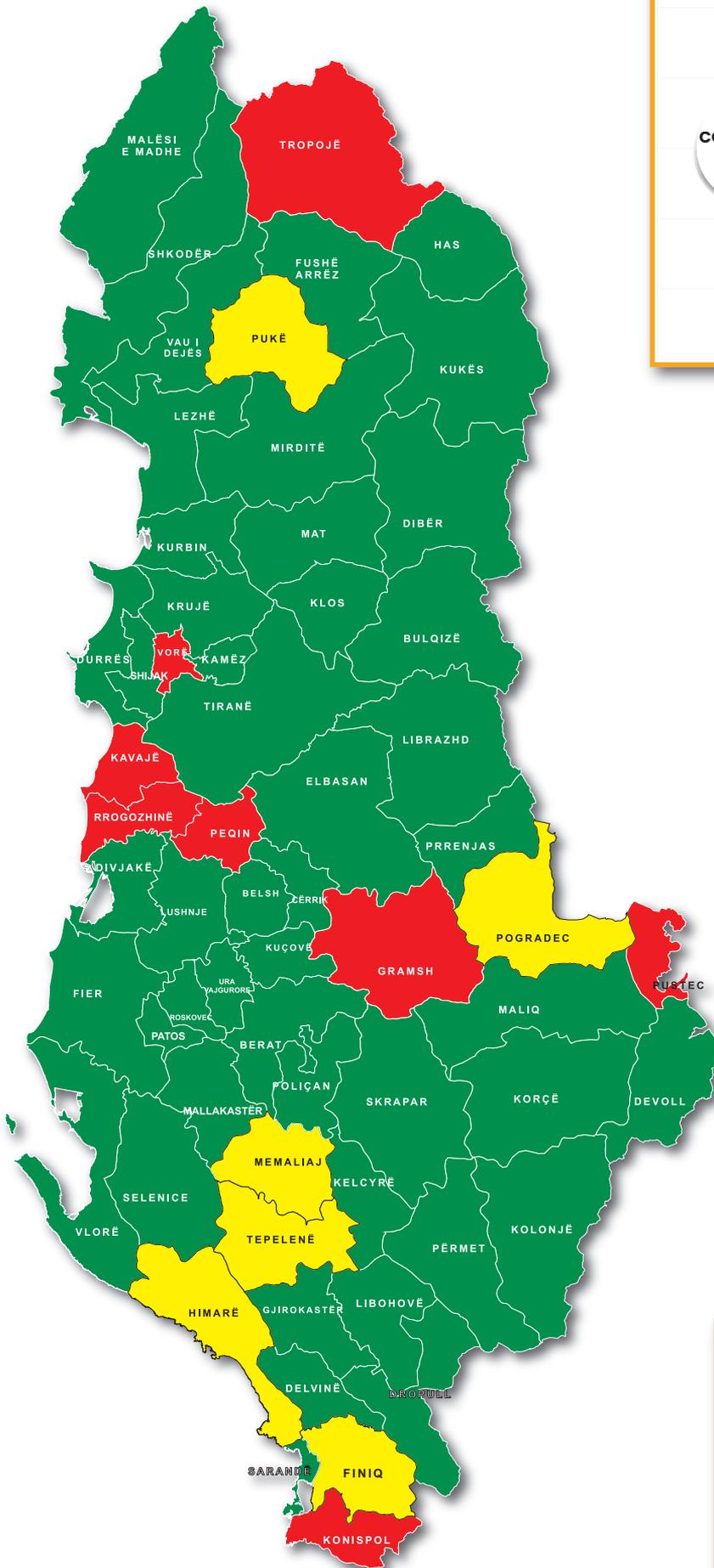
This report has been partially drafted by 6 municipalities out of 61, or by about 9.8 percent of them. These municipalities are: Memaliaj, Tepelena, Pogradec, Puka, Finiq, and Himara.

There are 8 municipalities out of 61, or about 13 percent of them, which have failed to draft the annual monitoring report on the execution of the 2019 budget. These municipalities are: Gramsh, Peqin, Pustec, Tropoja, Kavaja, Rrogozhina, Vora, and Konispol.

Comparing of this report with the last year

The 2019 report is the second edition of the National Report on Budget Execution Monitoring of Local Self-Government Units allowing for comparisons with the last year not only in terms of compliance with legal requirements, but also in terms of the quality of the Report per se. The comparison of the Budget Execution Monitoring Report of 2019 with that of 2018 shows that there is an improved reporting in 6 municipalities or in about 10 percent of total number of municipalities. These municipalities are: Poliçan, Skrapar, Përrenjas, Libohova, Devoll and Finiq.

Map 1: Municipalities which have produced a Monitoring Report in 2019



These improvements are as follows:

- Municipalities, which have partially drafted the Budget Execution Monitoring Report of 2018, while they have fully drafted the Budget Execution Monitoring Report of 2019: Poliçan, Skrapar and Devoll;
- Municipalities, which failed to draft the Budget Execution Monitoring Report of 2018, while they drafted the Budget Execution Monitoring Report of 2019: Përrenjas and Libohova;
- Municipalities, which failed to draft the Budget Execution Monitoring Report of 2018, while they partially drafted the Budget Execution Monitoring Report of 2019: Finiq Municipality

Comparing of the Budget Execution Monitoring Report of 2019 with the Report of 2018 shows that there are 10 municipalities, or about 16 percent of them, which have undergone regress. These municipalities are: Gramsh, Peqin, Memaliaj, Tepelena, Tropoja, Puka, Rrogozhina, Vora, Himara and Pogradec.

This regress includes:

- Municipalities, which have drafted the Budget Execution Monitoring Report of 2018, while they failed to draft the Budget Execution Monitoring Report of 2019. These municipalities are: Gramsh, Tropoja, Rrogozhina and Vora;
- Municipalities, which have drafted the Budget Execution Monitoring Report of 2018, while they have partially drafted the the Budget Execution Monitoring Report of 2019. These municipalities are: Memaliaj, Tepelena, Pogradec, Puka and Himara;
- Municipalities, which have partially drafted the Budget Execution Monitoring Report in 2018, while they have failed to draft the Budget Execution Monitoring Report of 2019. This is Peqin Municipality.

45 municipalities out of 61 in total, or about 75 percent of them, appear to have the same status as in the last report. Of these, 42 municipalities have fulfilled this indicator in 2018 and 2019. These municipalities are: Berat, Kuçova, UraVajgurore, Bulqiza, Dibra, Klos, Mat, Durrës, Kruja, Shijak, Belsh, Cërrik, Elbasan, Librazhd ,Divjaka, Fier, Lushnja,

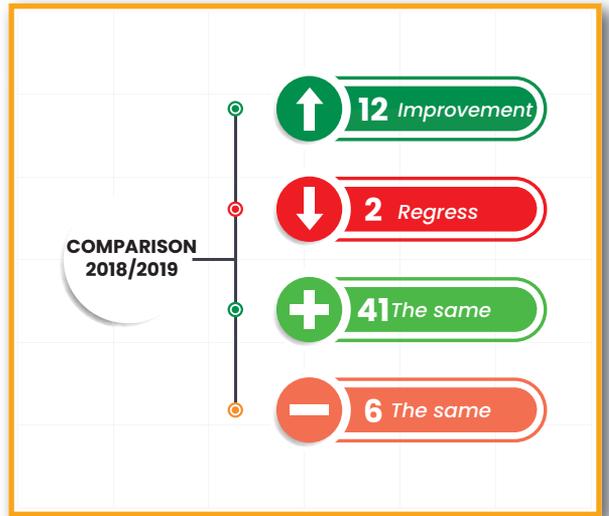
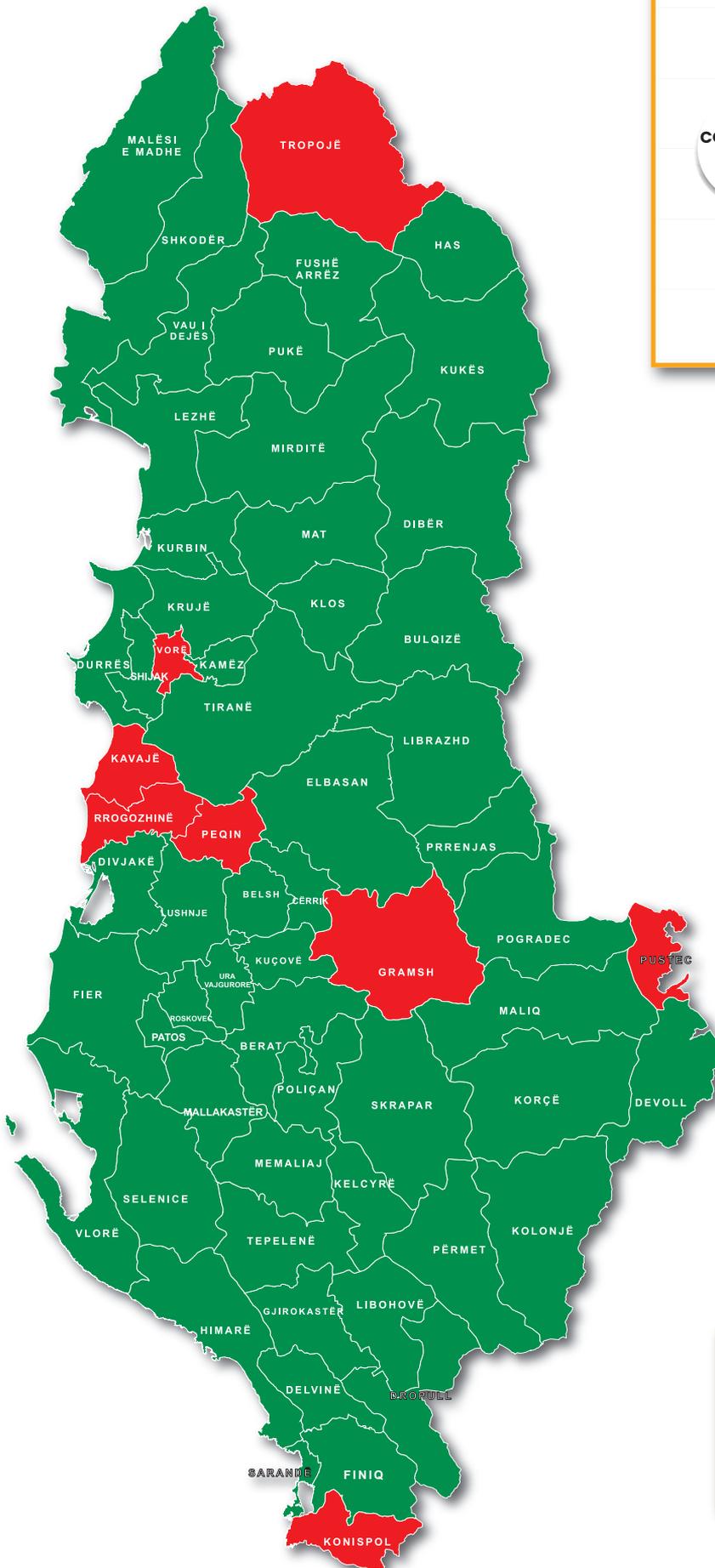
Mallakstra, Patos, Roskovec, Dropull, Gjirokastra, Këlcyra, Përmet, Kolonja, Korça, Maliq, Has, Kukës, Kurbin, Lezha, Mirdita, FushëArrëz, Malësi e Madhe, Shkodra, VauDejës, Kamza, Tirana, Delvina, Saranda, Selenica and Vlora. 3 municipalities have failed to draft it in 2018 and in 2019. These municipalities are: Pustec, Kavaja, and Konispol.

2. Reporting of expenditures by the programs and according to the requirements of Annex I

Reporting of expenditures by budget programs and, specifically, their reporting in detail according to Annex 1 is one of the provisions of the standard Guideline on budget execution monitoring. 53, or about 87 percent of the municipalities, which have generated this information in 2019, are: Berat, Kuçova, Poliçan, Skrapar, UraVajgurore, Bulqiza, Dibra, Klos, Mat, Durrës, Kruja, Shijak, Belsh, Cërrik, Elbasan, Librazhd, Divjaka, Fier, Lushnja, Mallakstra , Patos, Roskovec, Dropull, Gjirokastra, Këlcyra, Libohova, Memaliaj, Përmet, Tepelena, Devoll, Kolonja, Korça, Maliq, Pogradec, Kukës, Kurbin, Lezha, Mirdita, FushëArrëz, Malësi e Madhe, Puka, Shkodra, VauDejës, Kamza, Tirana, Delvina, Finiq, Himara, Saranda, Vlora. The aforementioned municipalities have generated this information according to the template of the Annex, whereas the municipalities of Selenica, Përrenjas and Has have generated this information, but not according to the template of Annex 1.

The municipalities, which have failed to comply with this requirement, are the same municipalities that have failed to draft the Budget Execution Monitoring Report of 2019, i.e., 8 municipalities. These municipalities are: Vora, Tropoja, Rrogozhina, Pustec, Peqin, Konispol, Kavaja and Gramsh.

Map 2: Expenditure classification by program 2019



How many of them have reported? Has the indicator changed compared to 2018?

It's worth noting the fact that there is an improvement of reporting about this indicator in 12 municipalities when comparing the Budget Execution Monitoring Report of 2019 with last year.

These improvements include:

- Municipalities, which have drafted it partially in 2018, while they have fully drafted it in 2019. These municipalities are: Memaliaj and Kamza;
- Municipalities, which failed to generate this information in 2018, while they generated it in 2019. These municipalities are: Dibra, Përrenjas, Libohova, Korça, Maliq, Pogradec, Has, Kukës, Mirdita and Finiq.

This indicator shows regress from one year to another in 2 municipalities such as Gramsh and Peqin, which have drafted the report in 2018 while they have failed to draft it in 2019.

47 municipalities out of 61, or about 77 percent of them, appear to have the same status from one year to another. Of these, 41 municipalities have reported this indicator in 2018 and in 2019. These municipalities are: Berat, Kuçova, Poliçan, Skrapar, Ura Vajgurore, Bulqiza, Klos, Mat, Durrës, Kruja, Shijak, Belsh, Cërrik, Elbasan, Librazhd, Divjaka, Fier, Lushnja, Mallakastra, Patos, Roskovec, Dropull, Gjirokastra, Këlcyra, Përmet, Tepelena, Devoll, Kolonjë, Kurbin, Lezha, Fushë Arrëz, Malësi e Madhe, Puka, Shkodra, Vau i Dejës, Tirana, Delvina, Himara, Saranda, Selenica and Vlora. 6 municipalities failed to report it either in 2018 or in 2019. These municipalities are: Pustec, Tropoja, Kavaja, Rrogozhina, Vora, and Konispol.

3. The Budget Programs in the Medium Term Budget Program are the same as those provided in the 2019 reporting

In 2019, the Ministry of Finance and Economy has taken initiatives to unify budget programs across all Local Self-Government Units by means of approving a list, which exhausts the legal functions that are conferred to local government. The analysis, which was conducted about the application of budget programs, didn't take into account only the fact whether, or not, the municipalities have used the same program structure as the one, which is used in the Medium Term Budget Program and Monitoring, but it also assessed whether the programs were used, or not, according to the provisions of Annex No. 1 of Guideline No. 23, dated 30 July 2018 „On the standard procedures of drafting the Medium Term Budget Program of the Local Self-Government Units“.

There are 21 municipalities, or about 34 percent of the total number of municipalities, which have **the same** budget programs in, both, the Medium Term Budget Program 2019-2021 and the Budget Execution Monitoring Report of 2019.

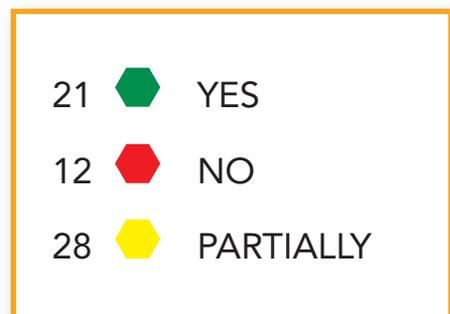
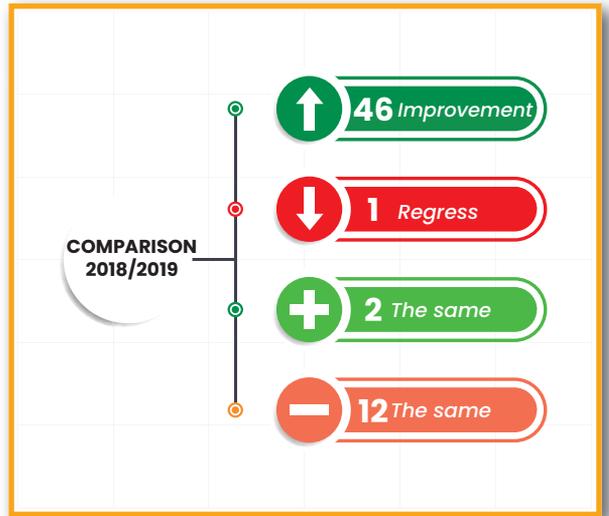
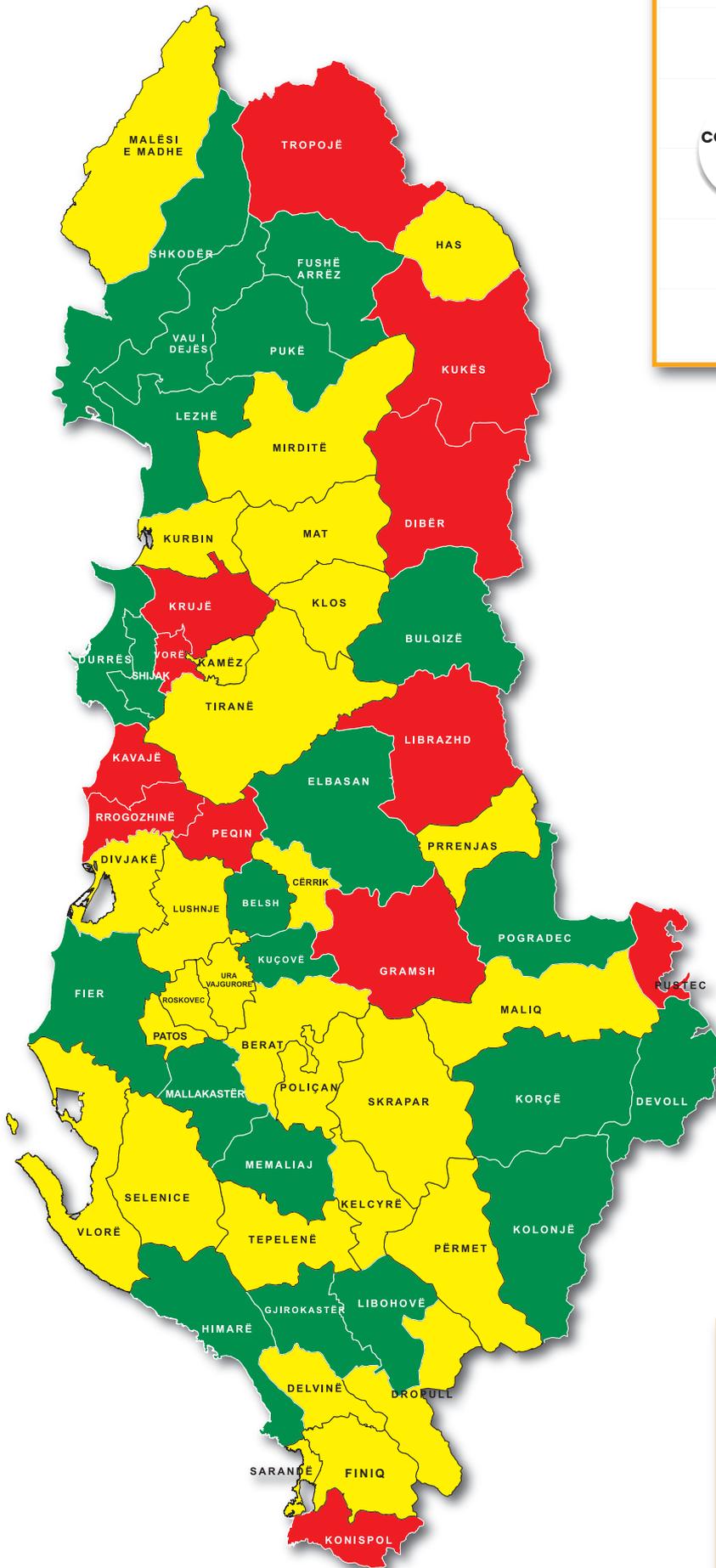
There are 28 municipalities, or about 46 percent of them, which have **partially the same** budget programs in the Medium Term Budget Program 2019-2021 and the Budget Execution Monitoring Report of 2019.

12 municipalities have different budget programs in the Medium Term Budget Program 2019-2021 compared to those used in the Budget Execution Monitoring Report of 2019. 8 of those municipalities failed to draft the Budget Implementation Monitoring Report of 2019, while 2 of them failed to report about this indicator.

How has the situation of meeting this indicator changed during 2019 compared to last year?

It's worth emphasizing that there is an improvement of reporting about this indicator from one year to another in 46 municipalities when comparing the Budget Execution Monitoring Report of 2019 with last year.

Map 3: Same programs reported in MR 2019 and MTBP 2019-2021



These improvements include:

- There are 19 municipalities, which have failed to generate this information in 2018, while they generated it in 2019. These municipalities are: Kuçova, Bulqiza, Durrës, Belsh, Elbasan, Fier, Mallakastra, Gjirokastra, Libohova, Memaliaj, Devoll, Kolonja, Korça, Pogradec, Lezha, FushëArrëz, Puka, VauDejës and Himara;
- There are 27 municipalities, which failed to generate this information in 2018, while they have partially generated it in 2019.

14 municipalities out of 61, or about 22 percent of them, appear to have the same status from one year to another, while 12 municipalities have failed to report about this indicator either in 2018 or in 2019. These municipalities are: Dibra, Kruja, Gramsh, Librazhd, Peqin, Pustec, Kukës, Tropoja, Kavaja, Rogozhina, Vora and Konispol. Shijak and Shkodra are the 2 municipalities, which have reported this indicator in 2018 and 2019.

This indicator shows regress from one year to another in the municipality of Poliçan, which has fully reported this indicator in 2018, while it has partially reported it in 2019.

4. Expenditures reported by economic classification

It's found that 53 municipalities, or about 87 percent of them, have generated the information in 2019 about reporting on expenditures by economic classification. Of these, 47 municipalities have generated it in accordance with Annex 2 of the standard monitoring Guideline. These municipalities are: Vlorë, Vau i Dejës, Ura Vajgurore, Tirana, Tepelena, Skrapar, Shkodra, Shijak, Saranda, Roskovec, Puka, Polican, Përmet, Patos, Mirdita, Memaliaj, Mat, Mallakastra, Maliq, Malësi e Madhe, Lushnja, Librazhd, Libohova, Lezha, Kurbin, Kukës, Kuçova, Kruja, Korça, Kolonja, Këlcyra, Kamza, Himara, Gjirokastra, FushëArrëz, Finiq, Fier, Elbasan, Durrës, Dropull, Divjaka, Dibra, Devoll, Delvina,

Cërrik, Bulqiza, Berat. 6 municipalities have generated this information, but not according to the template of the Annex 2. These municipalities are: Përrenjas, Pogradec, Klos, Has and Belsh.

The municipalities, which have failed to meet this requirement, are the same municipalities that have failed to draft the Budget Execution Monitoring Report of 2019, i.e., 8 municipalities. These municipalities are: Vora, Tropoja, Rogozhina, Pustec, Peqin, Konispol, Kavaja and Gramsh.

How many have reported? Is there any change of the indicator compared to 2018?

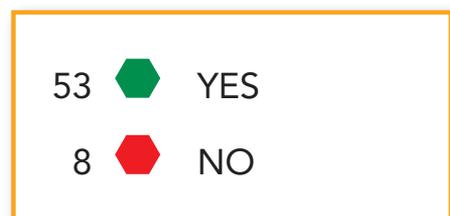
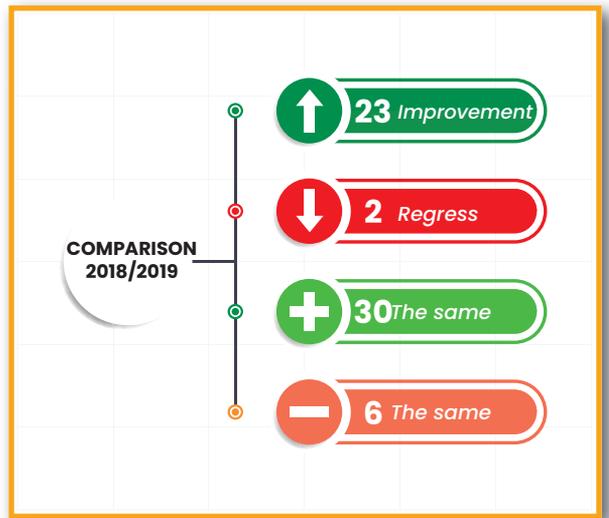
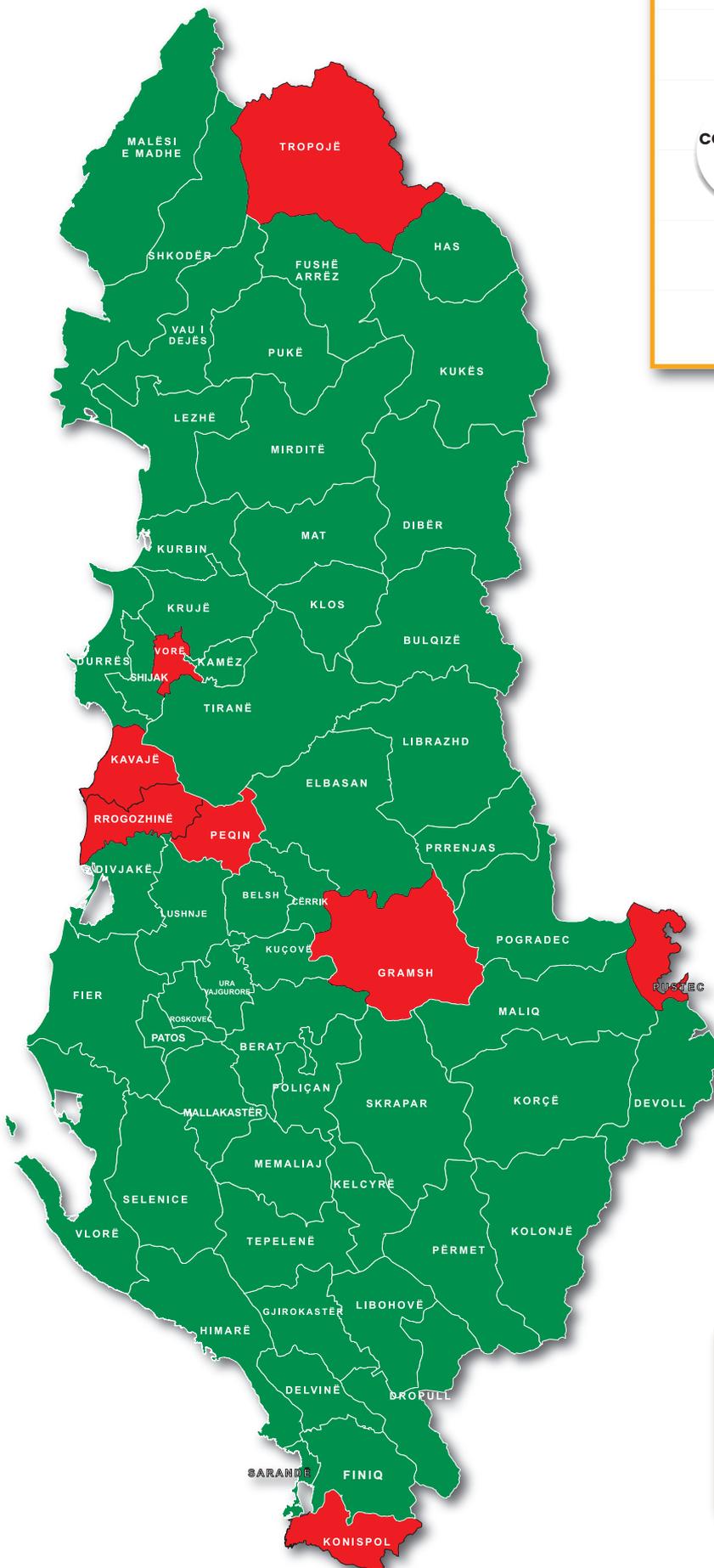
It's worth emphasizing that there is an improved reporting about this indicator in 23 municipalities when comparing the Budget Execution Monitoring Report of 2019 with last year.

These improvements include:

- Municipalities, which failed to draft the Budget Execution Monitoring Report of 2018, while they drafted it in 2019, are: Berat, Kuçova, Dibra, Korça, Maliq, Has, Kukës, Mirdita, Kamza, Himara, Selenica, Vlorë, Përrenjas, Këlcyra, Libohova and Finiq.
- Municipalities, which have partially drafted the report in 2018, while they have fully drafted it in 2019, are: Mallakastra, Memaliaj, Përmet, FushëArrëz, Malësi e Madhe, Puka and Tirana.

36 municipalities out of 61, or about 59 percent of them, appear to have the same status from one year to the other. Of these, 30 municipalities have reported this indicator in 2018 and 2019. These municipalities are: Poliçan, Skrapar, UraVajgurore, Bulqiza, Klos, Mat, Durrës, Kruja, Shijak, Belsh, Cërrik, Elbasan, Librazhd, Divjaka, Fier, Lushnja, Patos, Roskovec, Dropull, Gjirokastra, Tepelena, Devoll, Kolonja, Pogradec, Kurbin, Lezha, Shkodra, VauDejës, Delvina and Saranda. 6 municipalities failed to report this indicator in 2018 and 2019. These

Map 4: Expenditure classification by economic activity in 2019



municipalities are: Pustec, Tropoja, Kavaja, Rrogozhina, Vora, and Konispol.

There is regress only in 2 municipalities, Gramsh and Peqin, which have generated this information in 2018 while they have failed to generate it in 2019.

5. Reporting of investments by the Local Self-Government Units

The annual Budget Execution Monitoring Report of 2019 has included the table with the list of investments, which 45 municipalities, or about 73 percent of them, have executed.

These municipalities are: Berat, Kuçova, Skrapar, UraVajgurore, Bulqiza, Dibra, Klos, Mat, Durrës, Kruja, Shijak, Belsh, Cërrik, Elbasan, Librazhd, Divjaka, Fier, Lushnja, Mallakastra, Patos, Roskovec, Dropull, Gjirokastra, Këlcyra, Libohova, Memaliaj, Përmet, Tepelena, Devoll, Kolonja, Korça, Pogradec, Kukës, Lezha, Fushë-Arrëz, Malësi e Madhe, Shkodra, Kamza, Tirana, Delvina, Finiq, Himara, Saranda and Vlora.

This report has been partially drafted only by 3 municipalities out of a total number of 61 municipalities, or about 5 percent of them.

These municipalities are: Përrenjas, Puka and Selenica. These units are considered as municipalities, which have partially drafted it, because they have complied with a number of the requirements of the Guideline, but they have failed to fully comply with all of them. One of them is Përrenjas Municipality, which has reported investments by programs, but not according to the provisions of Annex 5 of the Guideline. The other municipality is Selenica Municipality, which has identified a number of investment projects, but without providing the specifications of the contract value, level of execution, etc.

There are 13 municipalities out of 61, or about 21 percent of them, which have failed to draft the report on the investment project execution in 2019. These municipalities are: Poliçan,

Gramsh, Peqin, Pustec, Has, Tropoja, Kurbin, Mirdita, Kavaja, Rrogozhina, Vora, Vau i Dejës and Konispol.

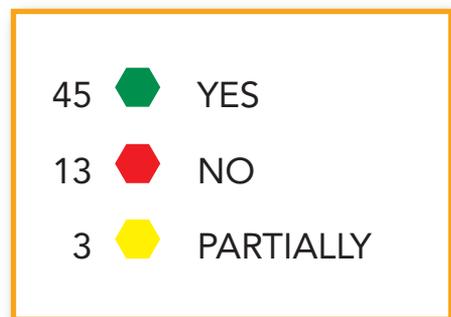
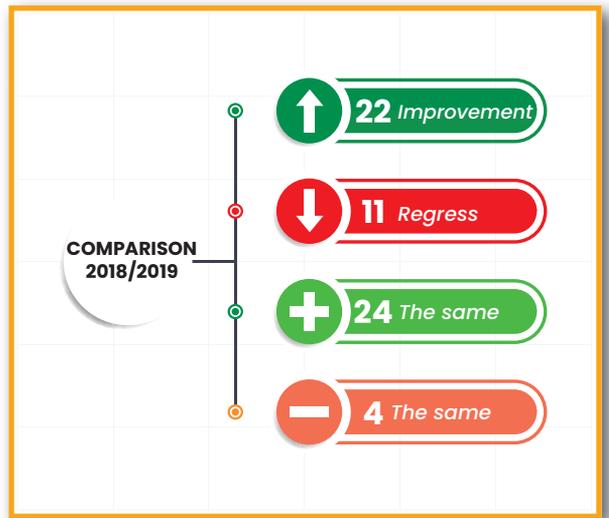
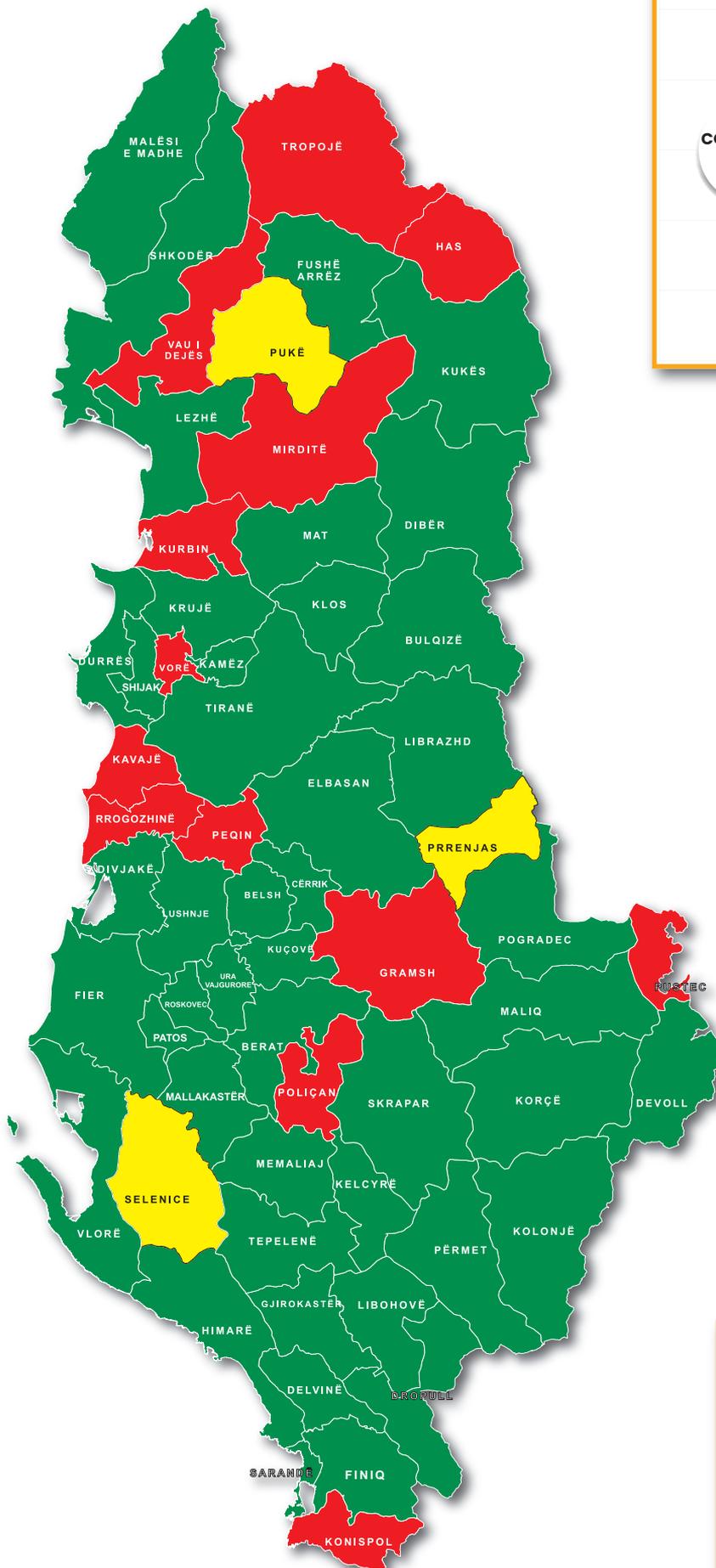
How has the situation of meeting this indicator changed during 2019 compared to last year?

Comparative analysis with last year is an important part of this report, and therefore this part will analyze whether, or not, the same, improved or regressed standard has been maintained for this indicator in the Budget Execution Monitoring Report of 2019 compared to the Budget Execution Monitoring Report of 2018. The Local Self-Government Units analysis shows that there are 22 municipalities or 36% of the total number of municipalities, which have failed to present the investment template in the Budget Execution Monitoring Report of 2018, but which have improved the situation by presenting it in 2019. These municipalities are: Berat, Ura Vajgurore, Bulqiza, Dibra, Klos, Mat, Shijak, Belsh, Cërrik, Elbasan, Librazhd, Përrenjas, Libohova, Tepelena, Korça, Maliq, Kukës, Lezha, Kamza, Tirana, Finiq and Vlora. It's worth highlighting the fact that a significant number of the municipalities have continued to make improvements in terms of completing this template compared to last year. This is an important indicator regarding the progress of the Local Self-Government Units.

In addition, there are Local Self-Government Units, which, due to various reasons, failed to present the template of the investment projects list in the Budget Execution Monitoring Report of 2019 when compared to the Budget Execution Monitoring Report of 2018. The Local Self-Government Units, which have failed to present his template compared to last year, are the municipalities of Peqin and Vau i Dejës. On the other hand, the municipalities of Puka and Selenica have undergone regress as regards the completion of this template compared to last year. They had accurately completed it in 2018, while they partially completed it in 2019.

On the other hand, there are 38 municipalities or 63.9% of the total number of the Local Self-Government Units, which have maintained the

Map 5: Reporting on main investments 2019



same standard in the annual budget execution report of 2019 compared to last year regarding the completion, or failure to complete the public investments template executed during the budget year. The municipalities, which have maintained the same standard when completing this template in 2018 and 2019 are: Kuçova, Skrapar, Durrës, Kruja, Divjaka, Fier, Lushnja, Mallakstra, Patos, Roskovec, Dropull, Gjirokastra, Këlcyra, Memaliaj, Përmet, Devoll, Kolonja, Pogradec, FushëArrëz, Malësi e Madhe, Shkodra, Delvina, Himara and Saranda. Meanwhile, the municipalities, which continued to maintain the same negative trend by failing to complete this template in the Budget Execution Monitoring Report of 2018 and 2019, are: Poliçan, Gramsh, Pustec, Has, Tropoja, Kurbin, Mirdita, Kavaja, Rrogozhina, Vora and Konispol.

6. Application of performance indicators in the Budget Execution Monitoring Report 2019

31 municipalities used performance elements, indicators and outputs in the Budget Execution Monitoring Report of 2019 by completing Annexes 3 and 4 in accordance with the standard monitoring Guideline. 25 municipalities, or 41 percent of them, have submitted these annexes fully completed, while 6 municipalities have submitted them partially completed. Partial completion means the submission of only one of the annexes or failure to fully complete the guiding template for these annexes, which has been made available by the Ministry of Finance and Economy. More than half of the municipalities of Albania have submitted information on the performance elements in the budget execution report. The municipalities, which have met this criterion, are: Berat, Skrapar, Bulqiza, Dibra, Cërrik, Elbasan, Fier, Mallakstra, Patos, Dropull, Gjirokastra, Libohova, Memaliaj, Përmet, Tepelena, Kolonja, Korça, Maliq, Kukës, Lezha, Puka, Shkodra, Tirana, Finiq and Himara.

The municipalities, which partially reported

this information, are: Ura Vajgurore, Belsh, Këlcyra, Vau i Dejës, Delvina and Vlora.

How has the situation of meeting this criterion changed during 2019 compared to last year?

This criterion has marked a significant improvement compared to last year. Last year, only 6 municipalities fully or partially met the criteria by providing information about the goals and objectives according to the program and performance elements, 25 municipalities provided full reporting according to the requirements, while 6 other municipalities provided partial reporting. A total of 29 municipalities, i.e., almost half of them, have improved reporting on this criterion² while the municipalities of Shkodra and Gjirokastra have maintained the same positive status like in the last year. Only one municipality has failed to meet this criterion, thus undergoing regress compared to last year. 31 municipalities have maintained the same status just like last year. This translates into failure to fulfill the criterion, i.e., completion of Annexes 3 and 4. The municipalities, which have improved compared to the previous years, are: Berat, Skrapar, Bulqiza, Dibra, Cërrik, Elbasan, Fier, Mallakstra, Patos, Dropull, Libohova, Memaliaj, Përmet, Tepelena, Kolonja, Korça, Maliq, Kukës, Lezha, Puka, Tirana, Finiq, Himara, UraVajgurore, Belsh, Këlcyra, VauDejës, Delvina and Vlora.

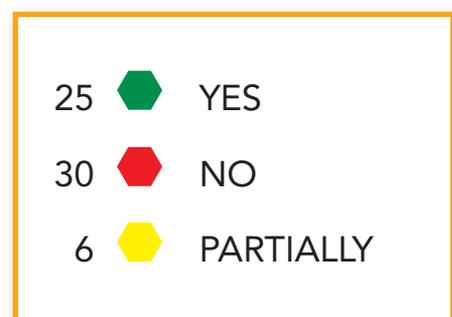
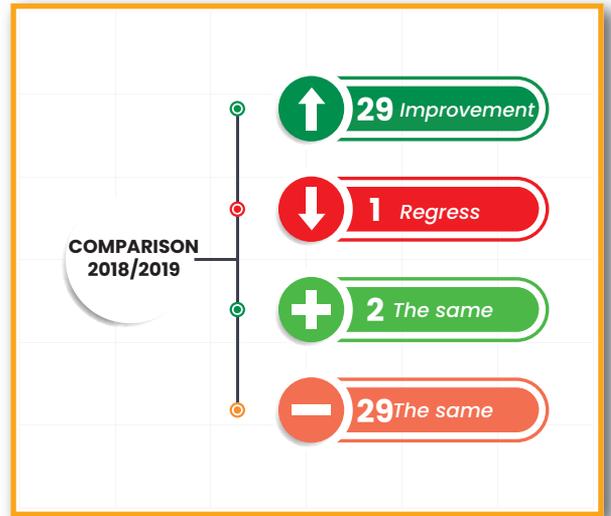
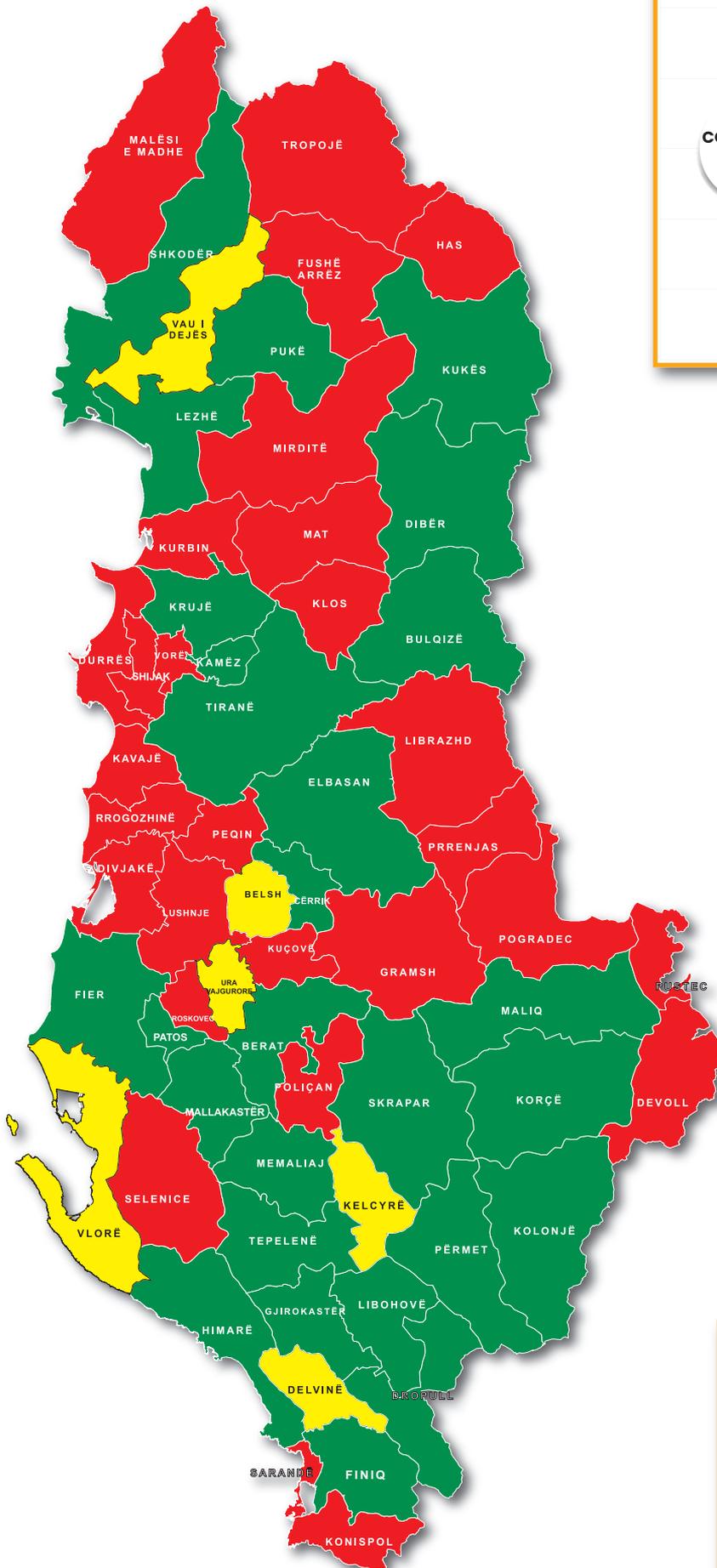
6.1 Analysis of performance elements

This part will analyze the use of performance elements in the Budget Execution Monitoring Reports of 2019.

First, the indicators were monitored from the point of view of their belonging to budget programs. 11 out of 36 budget programs, which are presented in Table 6, and which are used by the Local Self-Government Units, show

² Improvement is considered if the municipalities pass from the status of failure to submit to the completion of the annex, from partial completion to full completion

Map 6: Use of performance indicators in the MR documentation 2019.



a higher frequency of performance indicators application. This means that 31 municipalities, which have completed Annex 3 and 4, have used the indicators more often in these 11 programs. As it may be noted, these programs belong to the education sector, or specific services provided by Local Self-Government Units such as the following: Forest and Pasture Management, Infrastructure and Drainage Management, Waste Management, Road Network, etc. Municipalities have considered it reasonable to use the indicators to explain their achievements in the course of executing the budget in these programs. The graph also specifies which indicators were used more often. When compared to last year, it may be

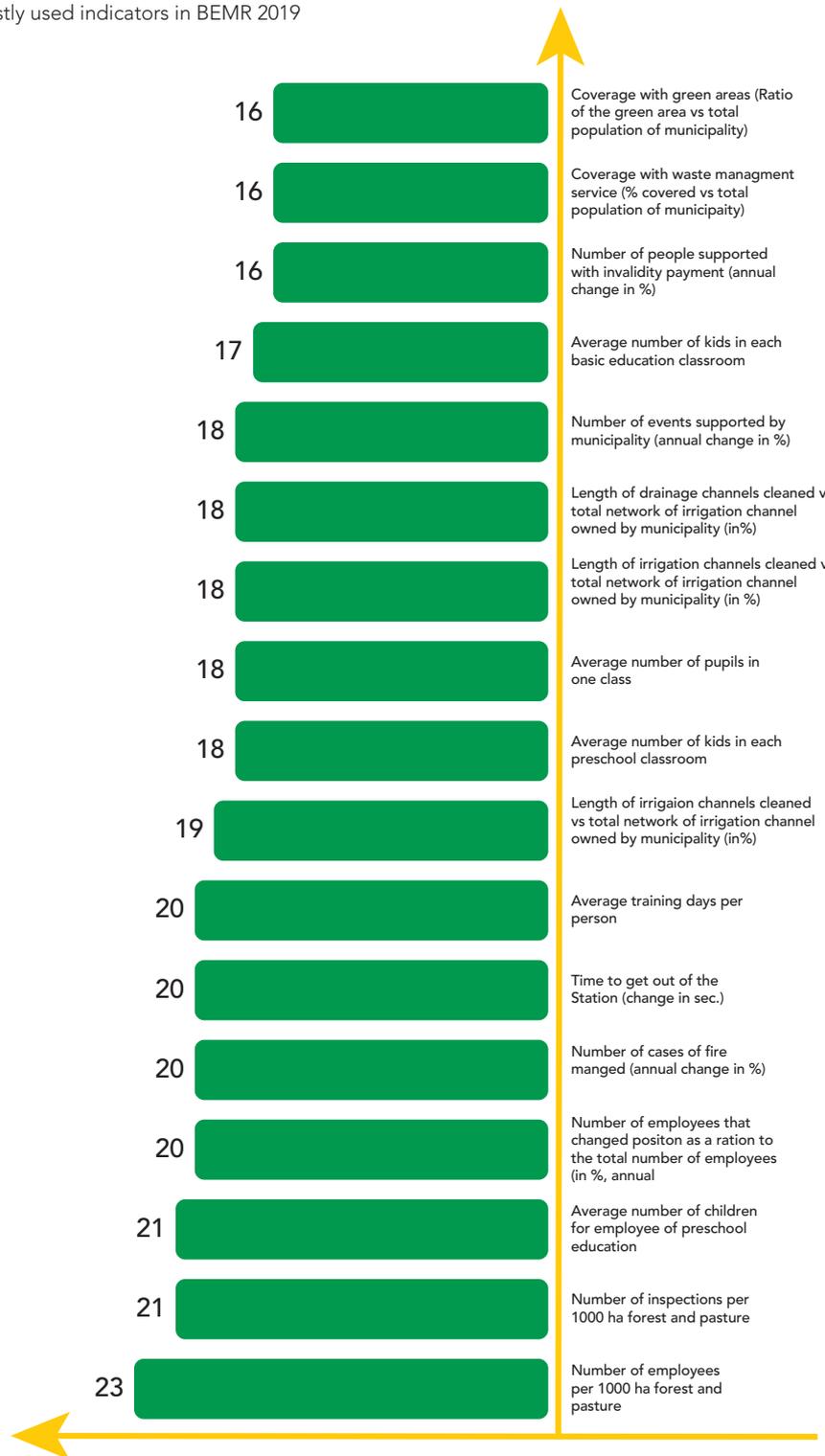
said that the nature of the programs, which are reported with performance indicators, is the same as that of the last year.

The increase of the frequency of the use of indicators by municipalities and the increase of the number of indicators used for the program is what may be noted compared to last year. Indicators express a ratio between two data such as the following: kilometers of drainage channel cleaned vs. the total drainage network of the municipality in%, or changing of a data over time such as the change of the length of the road network in linear kilometers compared to last year. Their formulation has also been improved.

Figure 1: Programs with highest frequency of indicators

Program	Preschool and basic education	Administration of Forest and Pasture	Management of irrigation and drainage infrastructure	General (pre university) Education
Indicator	Average number of children for employee of preschool education	Number of employees per 1000 ha forest and pasture	Length of irrigation channels cleaned vs total network of irrigation channel owned by municipality (in%)	Average number of pupils in one class
Indicator	Average number of kids in each preschool classroom	Number of inspections per 1000 ha forest and pasture	Length of drainage channels cleaned vs total network of irrigation channel owned by municipality (in%)	
Indicator	Average number of kids in each basic education classroom			
Program	Planning, Management, Administration,	Fire protection and rescue	Social care for the sick and disabled people	Cultural heritage, artistic and cultural events
Indicator	Number of employees that changed position as a ration to the total number of employees (in %)	Time to get out of the station (change in sec.)	Number of people supported with invalidity payment (annual change in %)	Number of events supported by municipality (annual change in %)
Indicator	Average training days per person	Number of cases of fire managed (annual change in %)		
Program	Road system (rural + urban)	Waste Management Service	Other Local Services	
Indicator	Rural roads (annual change in linear km) disaggregated in urban and rural	Coverage with waste management service (% covered vs total population of municipality)	Coverage with gree areas (Ratio of the green area vs total population of municipality)	

Graph 1: Mostly used indicators in BEMR 2019



Graph x explains the use of performance indicators showing how many municipalities have applied an indicator, while 21 municipalities have the highest frequency of using an indicator.

Municipalities have used performance elements more often this year in order to show the achievement of objectives in addition to

the execution of budget funds. There is also a unifying trend of reporting similar indicators as indicated in Table x and Graph y. There is also a tendency to report those aspects of service delivery through indicators, which constitute a legal requirement or, which are set out in national sector strategies, such as the following: coverage of the population with the waste management service, versus the total

population, which is expressed in% and, which is set out in the Strategic Policy Document and the National Plan for Integrated Waste Management 2020-2035 (approved by the Decision of the Council of Ministers No. 418, dated 27 May 2020 (reference page 34); average number of students in a class, Pre-University Education Development Strategy 2014-2020 (reference page 14), number of employees who have been subject to turnover within the year against the total number of employees of the municipality, Cross-cutting Public Administration Reform Strategy 2015-2020 (reference page 17) .

7. Reporting of financial indicators

The Budget Execution Monitoring Report of 2019 shows that 21 municipalities, or about 34.4% of them, have used financial indicators. Municipalities, which have completed this template, are: Berat, Kuçova, Skrapar, Bulqiza, Dibra, Durrës, Belsh, Cërrik, Divjaka, Fier, Lushnja, Patos, Kolonja, Korça, Maliq, Kukës, Lezha, Malësi e Madhe, Shkodra, Vau i Dejës and Tirana.

Additionally, Dropull Municipality has made efforts to complete this template according to the guidelines, but it has partially completed it.

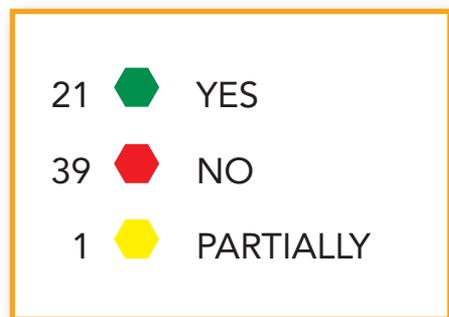
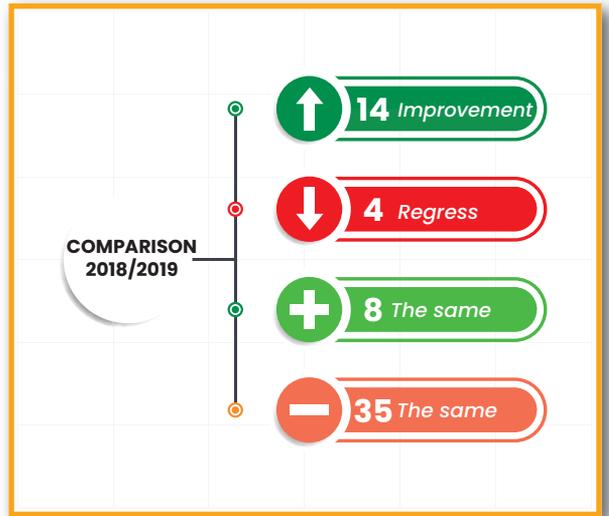
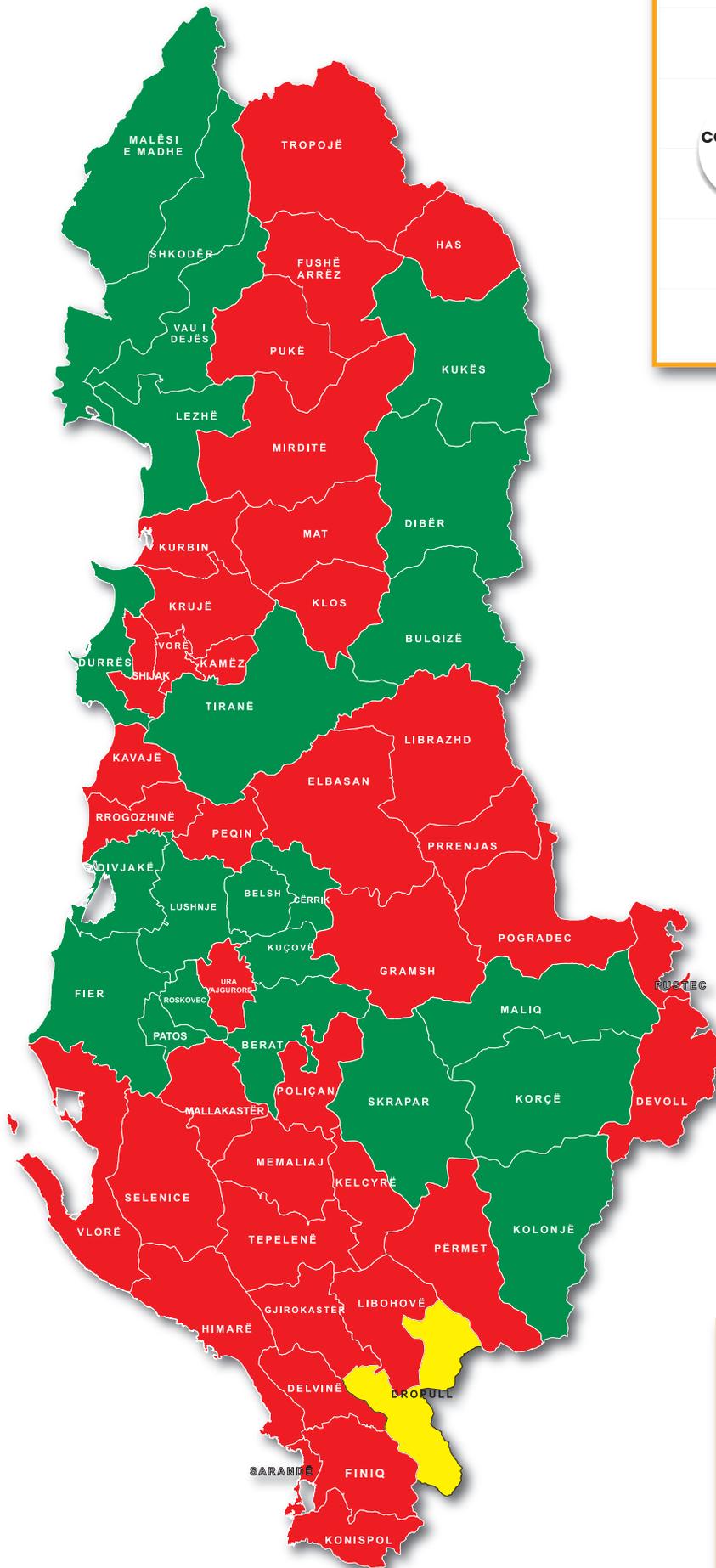
The remaining 39 Local Self-Government Units, or 64% of the total number of municipalities, have failed to fulfill the request as regards the presentation of local budget execution financial indicators in 2019. Municipalities, which have failed to fulfill this request, are: Poliçan, UraVajgurore, Klos, Mat, Kruja, Shijak, Elbasan, Gramsh, Librazhd, Peqin, Përrenjas, Mallakastra, Roskovec, Gjirokastra, Këlcyra, Libohova, Memaliaj, Përmet, Tepelena, Devoll, Pogradec, Pustec, Has, Tropoja, Kurbin, Mirdita, Fushë Arrëz, Puka, Kamza, Kavaja, Rrogozhina, Vora, Delvina, Finiq, Himara, Konispol, Saranda, Selenica and Vlora.

How has the situation of meeting this indicator changed during 2019 compared to last year?

Another important performance analysis indicator of drafting the local Budget Execution Monitoring Reports is comparing of the units, which have improved the report by presenting this template in 2019 compared to the report of the last year when they had failed to present it. It turns out, when analyzing the Local Self-Government Units, that there are 14 municipalities, or 22% of the total number of municipalities, which have failed to present the financial indicators template in the Budget Execution Monitoring Report of 2018, while they have improved the situation by presenting it in 2019. These municipalities are: Berat, Kuçova, Bulqiza, Dibra, Durrës, Cërrik, Divjaka, Fier, Lushnja, Patos, Dropull, Malësi e Madhe, Vau i Dejës and Tirana. In general, it's important to welcome the fact that a significant number of municipalities have increasingly improved in terms of completing this template when compared to last year.

There are Local Self-Government Units, which, due to various reasons, failed to

Map 7: Reporting on financial indicators 2019



present the financial indicators template in 2019 compared to the Budget Execution Monitoring Report of 2018. The municipalities of Shijak, Gjirokastra, Tropoja and Vlora are the Local Self-Government Units, which have experienced regress by failing to complete this template and to present it.

On the other hand, 43 municipalities, or 65.5% of the total number of units have maintained the same standard in 2019 compared to last year by completing, or failing to complete, the financial indicators template in the annual budget execution report. The municipalities, which have maintained the same standard by completing this template in 2018 and 2019, are: Skrapar, Belsh, Kolonja, Korça, Maliq, Kukës, Lezha and Shkodra. The municipalities, which continue to maintain the same negative trend by failing to complete this template in the Budget Execution Monitoring Report of 2018 and 2019 are: Poliçan, Ura Vajgurore, Klos, Mat, Kruja, Elbasan, Gramsh, Librazhd, Peqin, Përrenjas, Mallakastra, Roskovec, Këlcyra, Libohova, Memaliaj, Përmet, Tepelena, Devoll, Pogradec, Pustec, Has, Kurbin, Mirdita, FushëArrëz, Puka, Kamza, Kavaja, Rogozhina, Vora, Delvina, Finiq, Konispol, Saranda and Selenica.

8. Revenues by source

The analysis of the 2019 Budget Execution Monitoring Reports of the Local Self-Government Units shows that 35 municipalities, or 57% of them, have completed the revenue collection template by source. The municipalities, which have completed this report, are: Berat, Kuçova, UraVajgurore, Bulqiza, Dibra, Mat, Durrës, Shijak, Cërrik, Elbasan, Librazhd, Përrenjas, Divjaka, Fier, Lushnja, Patos, Roskovec, Dropull, Gjirokastra, Këlcyra, Libohova, Përmet, Kolonja, Korça, Maliq, Kurbin, FushëArrëz, Malësi e Madhe, Shkodra, Vauidejës, Kamza, Tirana, Delvina, Saranda and Vlora.

There are also 2 Local Self-Government Units, which have partially completed the revenues

template by source such as the municipalities of Klos and Kruja. Both these units are considered to have partially completed it, because the template presents information only about the collection rate of its local revenues without specifying this source by the revenue items.

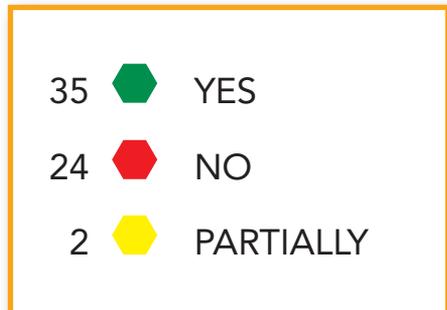
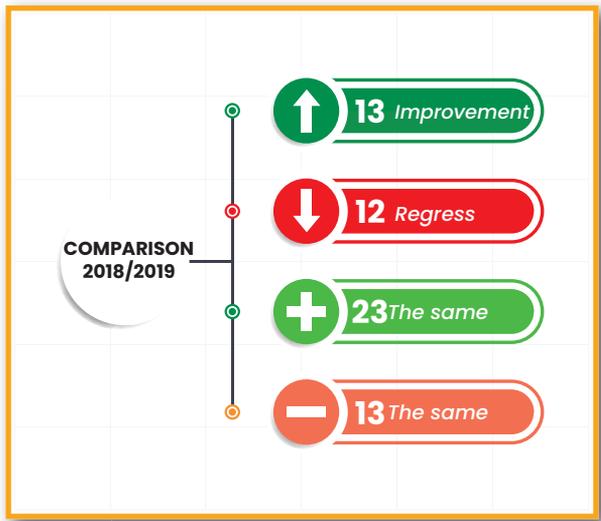
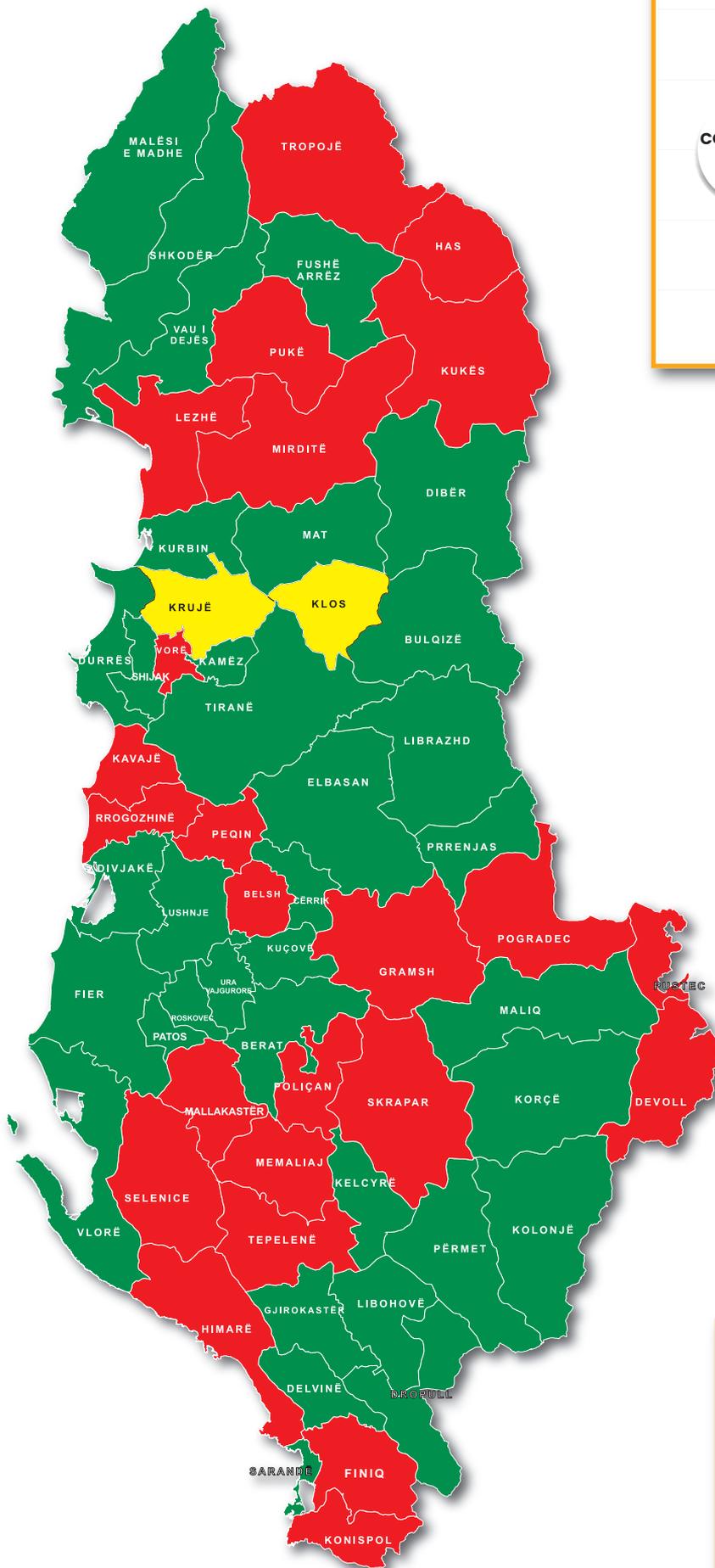
On the other hand, there are 24 municipalities or 39.3% of the total units, which have failed to complete the revenue template by source. The units, which have failed to complete this template, are: Poliçan, Skrapar, Belsh, Gramsh, Peqin, Mallakastra, Memaliaj, Tepelena, Devoll, Pogradec, Pustec, Has, Kukës, Tropoja, Lezha, Mirdita, Puka, Kavaja, Rogozhina, Vora, Finiq, Himara, Konispol and Selenica.

How has the situation of meeting this indicator changed during 2019 compared to last year?

It turns out, when analyzing the Local Self-Government Units, that there are 13 municipalities, or 21% of the total number of municipalities, which have failed to present the revenues template by source in the Budget Execution Monitoring Report of 2018, but which have improved the situation by presenting it in the Budget Execution Monitoring Report of 2019. These municipalities are: Shijak, Përrenjas, Patos, Roskovec, Dropull, Këlcyra, Libohova, Përmet, Kolonja, Maliq, Malësi e Madhe, Delvinë and Saranda. In general, it's important to welcome the fact that a significant number of municipalities have increasingly improved in terms of completing this template when compared to last year.

There are Local Self-Government Units, which, due to various reasons, have failed to present their own local revenues template by source in the Budget Execution Monitoring Report of 2019 compared to the Budget Execution Monitoring Report of 2018. There are 12 municipalities, or 20% of the total number of units, which have undergone regress in terms of completing this template and failing to present it. The municipalities, which have undergone complete regress by failing to present this template in 2019, are: Mallakastra, Memaliaj, Pogradec, Has, Lezha, Mirdita,

Map 8: Revenue reporting by source in 2019



Puka, Rogozhina and Vora. 2 municipalities, such as Skrapari and Himara, have regressed, because they failed to complete it in 2019 compared to 2018 when they had partially completed it. Klos Municipality shifted from a situation when it had fully completed the template in 2018 to a situation where it partially completed it in 2019.

There are 36 municipalities, or 59% of the total number of units, which have maintained the same standard in 2019 compared to a year ago regarding the completion, or failure to complete their own local revenues template by source in the annual budget execution report. Municipalities, which have maintained the same standard by completing this template in 2018 and 2019, are: Berat, Kuçova, Ura Vajgurore, Bulqiza, Dibra, Mat, Durrës, Cërrik, Elbasan, Librazhd, Divjaka, Fier, Lushnja, Gjirokastra, Korça, Kurbin, FushëArrëz, Shkodra, Vau i Dejës, Kamza, Kruja, Tirana and Vlora. The municipalities, which continued to maintain the same negative trend by failing to complete this template in the Budget Execution Monitoring Reports of 2018 and 2019, are: Poliçan, Belsh, Gramsh, Peqin, Tepelena, Devoll, Pustec, Kukës, Tropoja, Kavaja, Finiq, Konispol and Selenica.

9. Reporting of revenues by source: planned vs. actual revenue

The analysis of the local Budget Execution Monitoring Report of 2019 indicates that only 34 municipalities out of 61, or 55.7% of them, have presented the detailed template of the planned and the actual revenue collection by source. These municipalities, which have completed the required template, are: Berat, Kuçova, Ura Vajgurore, Bulqiza, Dibra, Klos, Mat, Durrës, Shijak, Cërrik, Elbasan, Librazhd, Divjaka, Fier, Lushnja, Patos, Roskovec, Dropull, Gjirokastra, Këlcyra, Libohova, Përmet, Kolonja, Korça, Maliq, Kurbin, Malësi e Madhe, Shkodra, Vau i Dejës, Kamza, Tirana, Delvina, Saranda and Vlora.

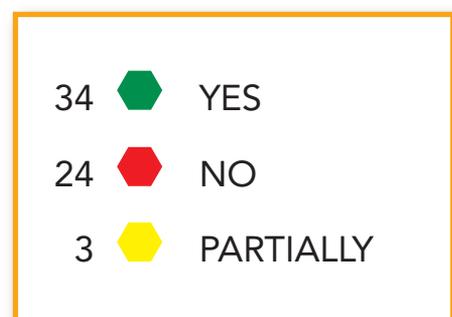
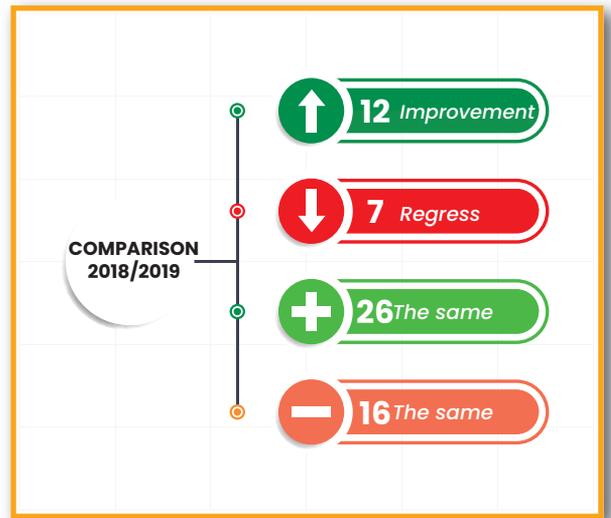
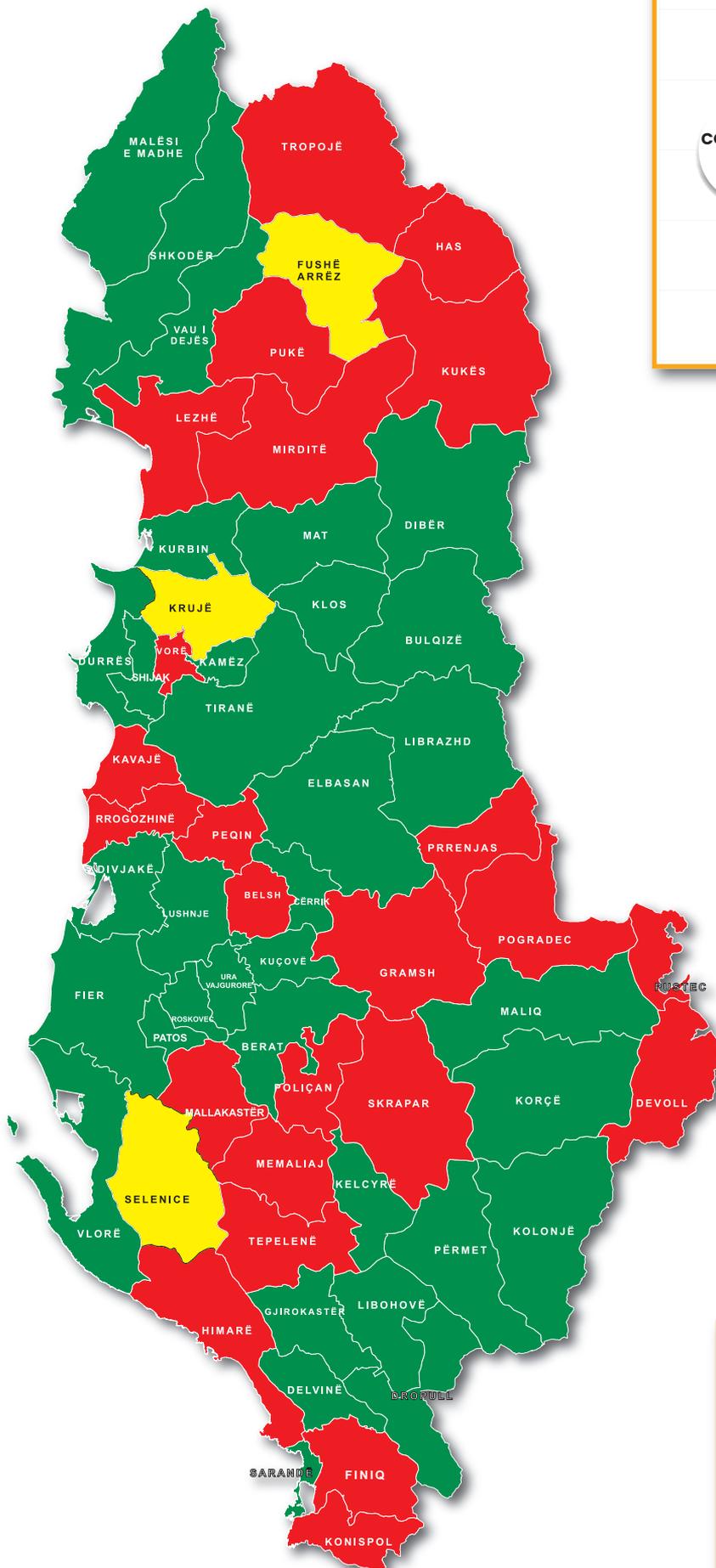
There are 3 municipalities, or about 5% of the total number of them, which have partially completed the planned and the actual own local revenues template. The municipalities, which have partially completed this template, are: Kruja, FushëArrëz and Selenica. Kruja Municipality has presented information only about the amount of revenue collection, but without specifying them by items, whereas Selenica Municipality has presented information only about the total revenues.

24 municipalities, or 39.3% of the total number of them, have failed to complete this template in the Budget Execution Monitoring Report of 2019. Municipalities, which have failed to complete this template, are: Poliçan, Skrapar, Belsh, Gramsh, Peqin, Përrenjas, Mallakastra, Memaliaj, Tepelena, Devoll, Pogradec, Pustec, Has, Kukës, Tropoja, Lezha, Mirdita, Puka, Kavaja, Rogozhina, Vora, Finiq, Himara and Konispol.

How has the situation of meeting this indicator changed during 2019 compared to last year?

Comparing of the same standard progress of completing the Local Self-Government Units budget execution monitoring is an important part of this report. This part will analyze whether, or not, the same standard has been maintained, has improved, or has undergone regress in parts of the Budget Execution Monitoring Report of 2019 compared with the 2018 reporting on the planned and actual revenue collection template by source. It turns out, when analyzing the Local Self-Government Units, that there are 12 municipalities, or 19.6 % of total number of them, which have failed to present the planned and actual revenue collection template by source in the Budget Execution Monitoring Report of 2018, but which have improved the situation by presenting it in the Budget Execution Monitoring Report of 2019. These municipalities are: Dibra, Shijak, Fier, Patos, Roskovec, Dropull, Këlcyra, Libohova, Kolonja, Maliq, Fushë Arrëz and Selenica. In general, it's important to welcome the fact that a significant number of municipalities have increasingly improved in terms of completing this template when compared to last year.

Map 9: Revenue Reporting Plan vs Fact in 2019



There are Local Self-Government Units, which, due to various reasons, have failed to present the planned and actual own local revenues template by source in the Budget Execution Monitoring Report of 2019 compared to the Budget Execution Monitoring Report of 2018. There are only 7 municipalities, or 11.4% of the total number of them, which have regressed in terms of completing this template and failing to present it. The municipalities, which have undergone regress by failing to present this template in 2019, compared to last year, are: Skrapar, Kruja, Mallakstra, Memaliaj, Pogradec, Lezha and Himara. Only Kruja Municipality has undergone regress by partially presenting this template in 2019, while it had accurately completed it in 2018.

There are 42 municipalities, or 70.5% of the total number of units, which have maintained the same standard in 2019 compared to last year as regards the completion, or failure to complete, their own local planned and actual revenues template by source in the Budget Execution Monitoring Report. Municipalities, which have maintained the same standard by completing this template in 2018 and 2019, are: Berat, Kuçova, UraVajgurore, Bulqiza, Klos, Mat, Durres, Cërrik, Elbasan, Librazhd, Divjaka, Lushnja, Gjirokastra ,

Përmet, Korça, Kurbin, Malësi e Madhe, Shkodra, Vau i Dejës, Kamza, Tirana, Delvina, Saranda and Vlora. The municipalities, which continue to maintain the same negative trend by failing to complete this template in the Budget Execution Monitoring Report of 2018 and 2019, are: Poliçan, Belsh, Gramsh, Peqin, Përrenjas, Tepelena, Devoll, Pustec, Has, Kukës, Tropoja, Mirdita, Puka, Kavaja, Rrogozhina, Vora, Finiq and Konispol.

10. Using of the report by the Municipal Council

This is one of the new criteria, which is introduced in the report. The Budget Execution Monitoring Report is drafted by the Local Self-Government Unit as a legal requirement that is provided for in Articles 48 and 51 of Law No. 68, dated 27 April 2017 „On Local Self-Government Finances” and it’s detailed according to the standard Guideline on the Local Budget Monitoring.

Referring to the legal standard, this report addresses for the first time the fulfillment of this request for its presentation by Local Self-Government Units to the Municipal Council.

According to the map, there are 37 municipalities, or 61 percent of them, which have discussed or approved the Budget Execution Monitoring Report in the Municipal Council, while 23 municipalities, or 38 percent of them, have failed to present the report to the Municipal Council.

11. Transparency to the community

This is another criterion, which is addressed for the first time in the report, while it constitutes a legal requirement set forth in the Law on Local Finances and in the Guideline of the Ministry of Finance and Economy No. 22, dated 30 July 2018, „On standard procedures of monitoring the Local Self-Government Units budget“.

Publication of the Annual Report on the website provides transparency to the community. It also provides the community with the opportunity to get informed about the budget execution in a detailed manner and to have its requests grounded on facts, which are generated and approved by the municipality.

According to the map, only 27 municipalities out of 61 have published the Budget Execution Monitoring Report on the website of the municipality, while the rest of the municipalities have failed to post it. For more details, please refer to map x and graph y.

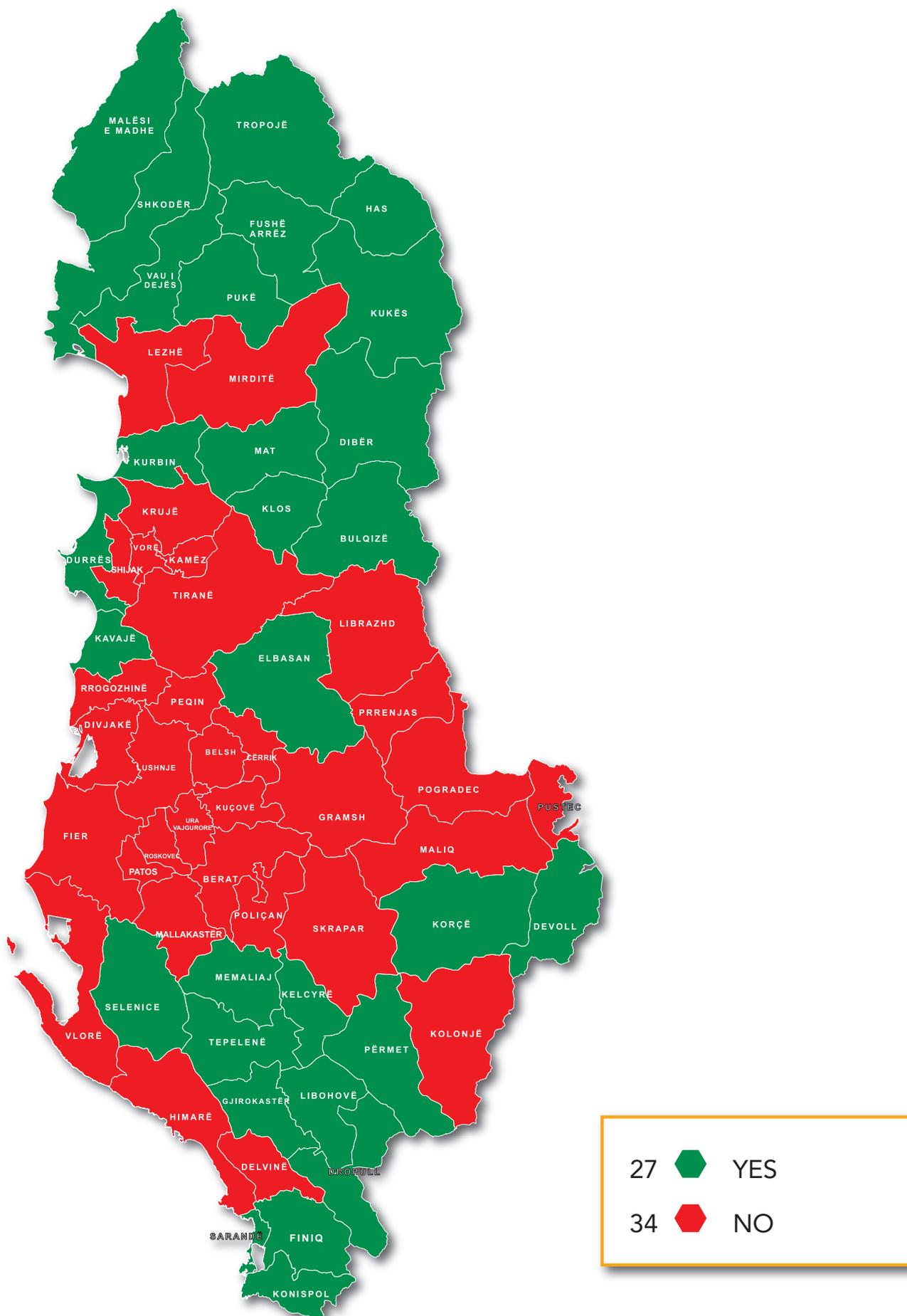
12. Ranking of municipalities regarding compliance with the criteria

Rating of each municipality with points was carried out based on the conclusions whether, or not, the Local Self-Government Units have fully, partially or failed to meet the criteria. According to this definition, each unit is provided with a maximum rating of 11 points (11 criteria) and with a minimum rating of 0 points.

The following map shows 4 categories: municipalities in dark green color have a high compliance rate and are rated with 8.5 to 11 points; municipalities in light green have a compliance rate above average and they are rated with 6 to 8.4 points out of a maximum score of 11 points. Municipalities in gray color, which are rated with 3.5 to 5 points, have compliance rate of an average level, while municipalities in red color have failed to meet the reporting requirements.

24 out of 61 municipalities have reported, thus meeting most of the criteria, which means that they have a high compliance rate, 18 municipalities have a compliance rate above average, 11 municipalities have an average compliance rate, whereas 8 municipalities failed to meet the criteria.

Map 11: BEMR published in web in 2019



The municipalities, which meet most of the reporting criteria according to the requirements, are: Bulqiza, Korça, Shkodra, Dropull, Dibra, Durres, Fier, Libohova, Berat, Patos, Përmet, Maliq, Malësi e Madhe, Tirana, Elbasan, Gjirokastra, Kolonja, Delvina, Mat, Cërrik, Lushnje, Fushë Arrëz and Kamza.

Ranking shows a significant improvement compared to last year as follows: 24 municipalities have had a high compliance

rate in 2019 compared to 3 municipalities in 2018; there are only 18 municipalities in 2019 with a compliance rate above the average compared to 27 municipalities with a compliance rate above the average in 2018; there are only 11 municipalities with an average compliance rate in 2019 compared to 18 municipalities with an average compliance rate in 2018, because they have changed their ranking by jumping to a higher category.

Table 7: Clusters of better performing municipalities with respect to compliance with legal requirements (8.5 to 11 points)

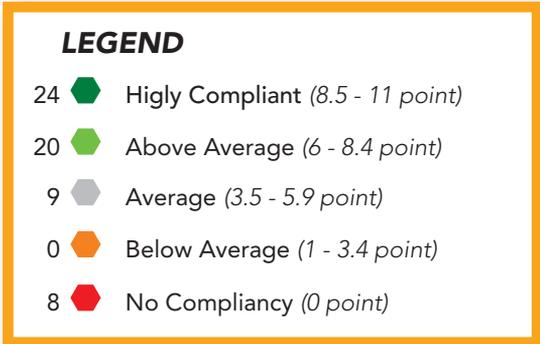
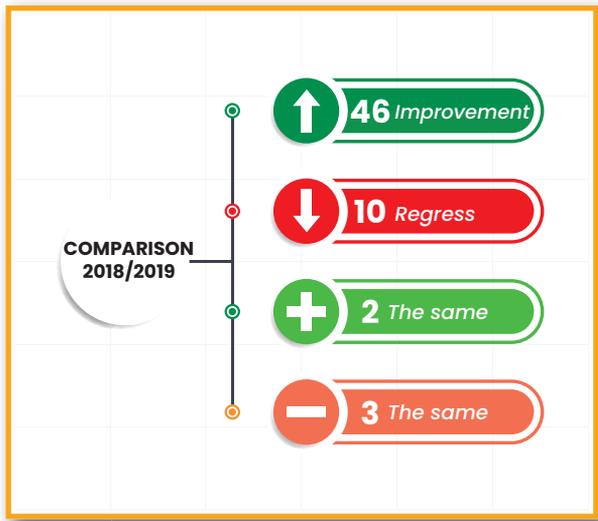
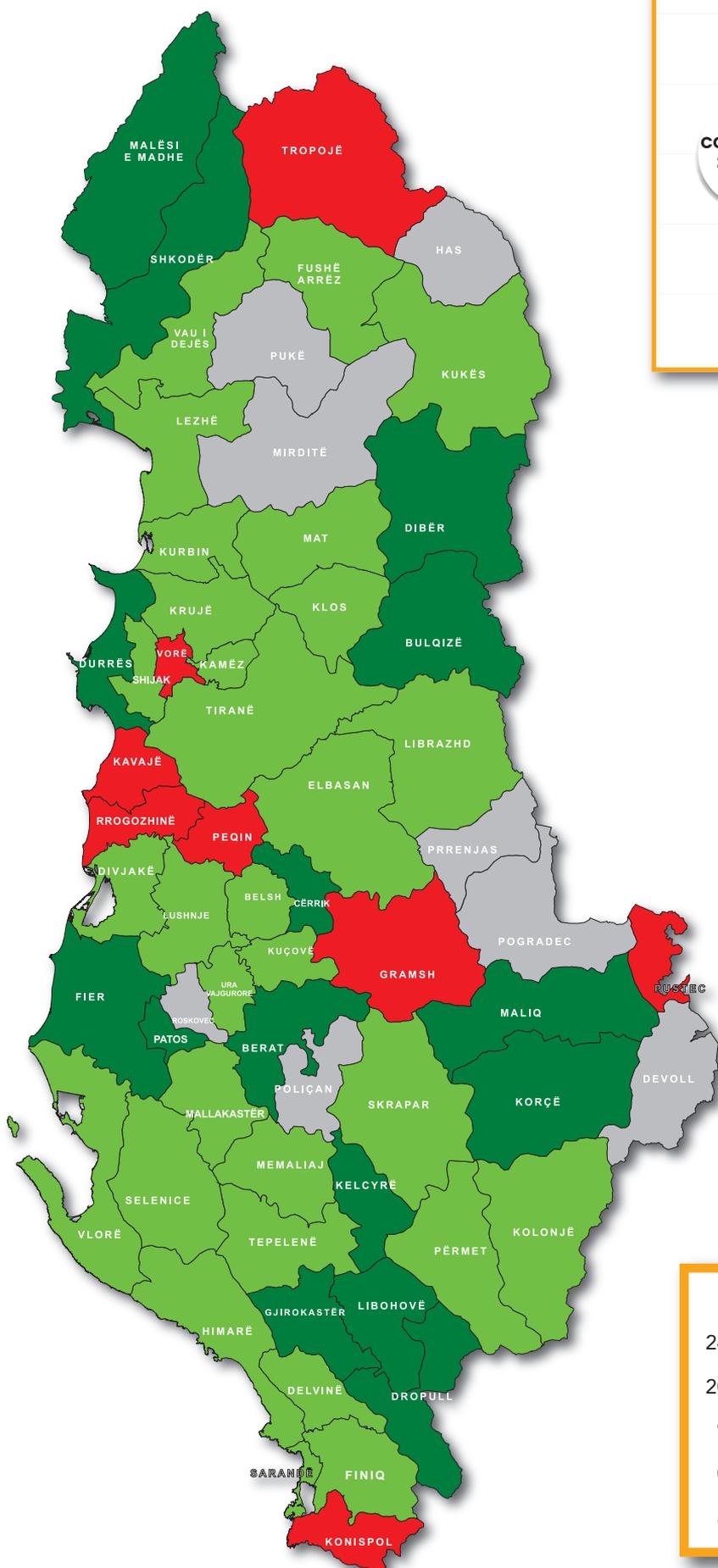
Shkodër	11	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Korçë	11	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Bulqizë	11	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Dropull	10.5	YES	YES	PARTIALLY	YES	YES	YES	YES	YES	YES	YES	YES	YES
Libohovë	10	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES
Fier	10	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO
Durrës	10	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES
Dibër	10	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES
Tiranë	9.5	YES	YES	PARTIALLY	YES	YES	YES	YES	YES	YES	YES	YES	NO
Malësi e Madhe	9.5	YES	YES	PARTIALLY	YES	YES	YES	NO	YES	YES	YES	YES	YES
Maliq	9.5	YES	YES	PARTIALLY	YES	YES	YES	YES	YES	YES	YES	NO	YES
Përmet	9.5	YES	YES	PARTIALLY	YES	NO	YES	YES	YES	YES	YES	YES	YES
Patos	9.5	YES	YES	PARTIALLY	YES	YES	YES	YES	YES	YES	YES	YES	NO
Berat	9.5	YES	YES	PARTIALLY	YES	YES	YES	YES	YES	YES	YES	YES	NO
Delvinë	9	YES	YES	PARTIALLY	YES	NO	YES	PARTIALLY	YES	YES	YES	YES	YES
Lezhë	9	YES	YES	YES	YES	YES	YES	YES	NO	NO	YES	YES	YES
Kolonjë	9	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	NO	NO
Gjirokastrë	9	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	NO
Elbasan	9	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	NO
Kamëz	8.5	YES	YES	PARTIALLY	YES	NO	YES	NO	YES	YES	YES	YES	YES
Fushë Arrëz	8.5	YES	YES	YES	YES	NO	YES	NO	YES	PARTIALLY	YES	YES	YES
Lushnje	8.5	YES	YES	PARTIALLY	YES	YES	YES	NO	YES	YES	YES	YES	NO
Cërrik	8.5	YES	YES	PARTIALLY	YES	YES	YES	YES	YES	YES	NO	NO	NO
Mat	8.5	YES	YES	PARTIALLY	YES	NO	YES	NO	YES	YES	YES	YES	YES
	0 5 11 Total Points	Submission of Report	Expenditure by program (Annex 1)	Same BP in MR 2019 & MTBP 19-21	Expenditure by Econ. Classification	Financial Ratio in MR	List of project investment	Performance Elements	Revenue by Source	Revenue Plan vs Fact in MR 19	Reporting to Council	Transparency	

Yes = 1 equal to 1 point

No = 2 equal to 0 points

Partially = 3 equal to 0.5 points

Map 12: Compliancy score of BEMR in 2019



4. Recommendations

Monitoring is a performance evaluation process, which is carried out by comparing the actual performance indicators vs. the planned ones. Local expenditure management is important in order to achieve the foreseen outputs within the approved expenditure limit for each program. It's important to provide complete information through the budget execution monitoring about expenditure performance and the achievement of the outputs. Monitoring of objectives is carried out based on the relevant performance indicators, which are provided mainly at the output level, while monitoring of outputs is carried out in quantity and value. Monitoring is the process, which links the achievement of objectives and outputs with the relevant funds planned for their achievement. The Ministry of Finance and Economy has worked with Local Self-Government Units during 2019 in order to improve the Monitoring Reports.

Many of the indicators, which have been analyzed in the Budget Execution Monitoring Report of 2019, show a significant improvement in most Local Self-Government Units compared to the last year.

Despite the recommendations of the Ministry of Finance and Economy provided in the Compliance Report of last year, the monitoring process continues to face the following challenges: standardization of the template and information, which the Budget Execution Monitoring Report should contain; improvement of the financial and qualitative information; improvement of analysis and arguments, which are presented about the execution of each budget program; completion of all annexes in accordance with the standard Monitoring Guideline.

One of the recommendations of the last year is about the completion of the Performance Indicators Annex, for which the Ministry of Finance and Economy will work continuously with the Local Self-Government Units to improve and fulfill it as a legal requirement and, above all, to assist the municipalities in using the information that this indicator provides.

1. The Ministry of Finance and Economy has found out that a number of municipalities present the Monitoring Report without making an analysis of the factors, which have negatively influenced on the execution of the planned expenditures by programs. This analysis is important also to improve the planning process in the next budget year.

Recommendation:

- All Local Self-Government Units should submit a complete Monitoring Report, including a detailed analysis of the causes of failure to execute the planned expenditures by programs. The monitoring should also contain the relevant arguments of the municipality about the budget changes starting from the original up to the final plan at the program and item level.

2. There is lack of information on financial indicators according to the provisions of Article 54 of Law No. 68/2017 „On the Local Self-Government Finances”, as a legal requirement of the Monitoring Guideline No. 22, dated 30 July 2018.

Recommendation:

- Presentation in the Budget Execution Monitoring Report of the financial indicators, which are important for evaluating the financial viability of the local unit and provide information on the available financial resources. Additionally, information is to be provided on how to use the public funds of the local unit, the financing ratio of the Local Self-Government Unit with transfers or with its own revenues, fiscal discipline, as well as information on whether the unit is exposed to fiscal risks, or not.

3. The Monitoring Report fails to present the ratio of intended objectives and performance indicators for each program as a very important part to identify the outputs and then to proceed towards the main objective - their costing.

Recommendation:

- The data on the achievement of performance indicators/outputs should be completed for all the programs according to Annex No. 4 „Report on the achievement of program policy objectives“, as defined in the standard Monitoring Guideline. It's also important to add the comments for each indicator in order to identify achievements and challenges. The municipality should use these indicators to determine the priority areas of services delivery for the coming years.

4. The monitoring report fails to provide information on arrears.

Recommendation:

- The identification and settlement of arrears, which are carried forward and newly created, is one of the challenges

that should be addressed by the Local Self-Government Units in the Monitoring Reports. The Monitoring Report should contain summarized information on arrears, presentation of arguments related to their creation, reasons for failing to pay the arrears at the end of the year and an analysis of the action plan for their settlement.

5. The explanatory note fails to contain detailed information about the whole monitoring process, thus showing challenges as regards the quality of data that are presented and analyzed.

Recommendation:

- The report should contain a very detailed analysis of the execution of the expenditures by programs, as well as the revenue collection by the sources of financing. The analysis should be accurate in terms of descriptive, tabular and graphical form. The Monitoring Report should provide detailed information on the monitoring process and on the progress of achieving the goals and objectives of each program.

6. The programs presented in the Monitoring Report by a number of Local Self-Government Units fail to be in full compliance with the programs of the Medium Term Budget Program.

Recommendation:

- Budget planning and execution are two closely related processes. Therefore, it's very important that there are no changes in the list of budget programs used by Local Self-Government Units in the planning and the execution stage.

