



COMPLIANCY REPORT

ON PERFORMANCE MONITORING AT MUNICIPAL LEVEL

OCTOBER 2019



REPUBLIC OF ALBANIA
MINISTRY OF FINANCE
AND ECONOMY

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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

Legal framework for local government of Albania and fiscal management underwent a profound reform since 1992, when the first local elections were held, aiming continuously at bringing citizens closer to the government and using efficiently and effectively their money.

Around the same time Albania started with the program-based public finance management, first at the central government level. It has taken time for this model to mature; eventually this was enabled through changes in legislation but most importantly through substantial mind-set changes towards performance orientation affecting policy making, public administration and the management of public funds.

One of the main features of program-based budgeting is performance orientation. Therefore, program-based budgeting includes performance budgeting. Performance budgeting is defined by the OECD¹ as the systematic use of performance information to inform budget decisions, either as a direct input to budget allocation decisions or as contextual information to budget planning, and to instil greater transparency and accountability throughout the budget process, by providing information to legislators and the public on the purposes of spending and the results achieved.

1 OECD Good practices, for performance budgeting, 2019

Performance budgeting, provides a basis for the better alignment between budget allocations and policy priorities, at the central and also local level, contributing thus the improvement of internal decision making and possibly absorption of more central government funds in the future. For citizens and the civil society, performance budgeting provides greater transparency and also the prospect of a greater accountability in respect of the objectives and results of public spending. In this way, performance budgeting constitutes the framework for local government reforming and local governance.

Public finance management reforms have contributed to better local governance through increase of efficiency of public funds used for investments and service delivery.

The Cross-Sector Strategy for Decentralization of Local Self-Governance and the Public Finance Management Strategy 2014-2020 constitute the current framework for the public

finance reform at the local level. The PFM Strategy aims at achieving a better balanced and sustainable budget with a reduced debt ratio through stronger financial management and control and audit processes and where budget execution is properly linked to government policies. It also presents the vision of a local government ensuring a public finance system that promotes transparency, accountability, fiscal discipline, efficiency and effectiveness in the management and use of public resources for service delivery and economic development.

Thanks to the public finance management reform, performance budgeting was brought nearer to the local level of government; important improvements have been made in the regulatory framework, such as the law 'On Local Self-Government Finance' and several by-laws and instructions. Training and workshops with representatives from both central and local governments have been organized to help the public administration to implement the new legislative framework.

Application of the law 68 "On finances of local self-government" and by-laws is an important milestone towards a PFM system for the local government that enhances

transparency, accountability and efficiency in management and utilisation of public resources through

- Improvement of the monitoring and reporting of the budget performance for LSGUs through improvements of form and content of templates used, as this can contribute directly to increased transparency and quality of information offered to citizens
- Unification of procedures of MTBP process for all LSGUs
- Improvement of the MTBP at the local level based on unified budget programs compliant with COFOG because of the importance of this process for the implementation of national strategies and GLPs at the local level as well as for resources allocation
- Improvement of the fiscal discipline for the prevention of arrears accumulation

Territorial reform brought many novelties, not only in terms of resources managed by LSGUs but also competences related to service provision to citizens in respective territories.

1. Introduction

Legal framework for local government and financial management at local level has undergone several changes, peaking with the territorial reform and approval of the law on local finances.

After a grace period dedicated to implementation, it is time to observe the level of absorption of this framework by the affected administrative and legislative bodies.

The Compliance Report on Performance Monitoring at Municipal Level 2018 presents a compliance assessment of municipalities with respect to the legal terms of program-based budgeting, monitoring and reporting.

Specifically, the Report:

- i. assesses compliancy of municipalities with MOFE instruction 22, date 30/08/2018, "On standard budget monitoring procedures of local self – government units"; in terms of documenting and reporting previous year budget execution
- ii. analyzes the use of performance indicators by municipalities
- iii. identifies municipalities with the highest compliance level
- iv. discusses issues of quality of non-financial data used in the monitoring reports

The main questions explored are: To what level do municipalities comply with the legal monitoring and reporting requirements? To what extent and how have they incorporated performance in their reporting? What are the common monitoring and reporting difficulties encountered, how to address these, and what good practices exist?

The Report supports the discussion with the newly appointed mayors of the LSGUs on key issues of good performance-oriented PFM

practices. It enables delivery of key messages related to important elements of the budget process such as: classification of revenue by source, program budget structure, inclusion of non-financial information and achieved results in the annual budget execution and monitoring report. Through this mechanism the Directory of Local Finances near MOFE opens a multi-lateral discussion about general findings and observations from the first year of submission of BEMRs.

The results from this assessment can serve as a baseline that allows comparison between municipalities with respect to performance reporting and performance. It lays the ground for the establishment of a performance-based system of local government in the future.

The Report is divided in three main chapters: 1. Observations on compliancy of the budget execution and monitoring reports 2018 with legal requirements, especially focusing on performance indicators/products; graphical display and analysis provide the basis for a compliancy benchmark of municipalities; 2. Observations related to data quality issues, focusing more on the non-financial data aspects; 3. Recommendations on next steps with respect to compliancy, data quality, underlying enabling internal processes as well as a dedicated section on communication as an important aspect towards increased accountability and transparency of the Local Self Government Units.

2. Methodology

Main terms explained



Program Structure: Program-based budgeting has evolved in the recent decades. "Performance budgets use statements of missions, goals and objectives to explain why the money is being spent. It is a way to allocate resources to achieve specific objectives based on program goals and measured results."² In this approach the entire planning and budgeting framework is result-oriented.

Initial efforts of introduction of the performance-based budgeting in the local government structures in Albania have resulted in the identification of 36 programs as listed in table 4. Ministry of Finance and Economy has introduced a performance-budgeting approach that covers all functions and the respective service areas through dedicated legislative framework.



Performance Indicators: Measurement units that help assess the achievement of objectives that a municipality has set per any or all budget program(s) for the timespan of one year. Performance indicators related to budget programs are usually non-financial.



Budget Monitoring: A process of self-evaluation of the performance which is achieved through comparison of planned vs. actual performance indicators, as defined in instruction 22, date 30.08.2018 of MOFE.



Budget Execution Monitoring Report: The main reporting instrument used by municipalities to report on the implementation of the municipal budget. In addition to the information on budget execution used in traditional annual financial reports, the monitoring report offers a detailed account of expenditures by program, broken down by the economic classification, and it compares planned vs. factual figures and deriving thus the execution rate.

² K. Carter, The Performance Budget Revisited: A Report on State Budget Reform - Legislative Finance, Paper 91, Denver, National Conference of State Legislatures, pp. 2-3

Table 1: List of 36 programs introduced by MOFE 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 from:
	Improvement of forestry and pasturage fund
	Increase of forestry products (chestnuts, nuts, etc.) and medicinal plants
	Increase of forestry area residents' revenues
Program objective	Increase of products from forests and pastures
Performance indicators	Nr of Municipal Employees per 1000 ha of forest

Legal Basis

Instruction 22, date 30.08.2018 of the Ministry of Finance and Economy "On standard procedures of budget monitoring of LSGUs" was issued to complement law 68/2017 "On Local Self-Government Finances" with respect to the monitoring and reporting cycle of the

LSGUs. According to it, municipalities need to produce 3 monitoring reports during a year, with the last one covering the whole year.

The main topics covered from the instruction are shown in Figure 1 below.

Figure 1: Main topics covered by the instruction 22



Why the Monitoring Report: Regular and comprehensive monitoring of budgets allows LSGUs to evaluate achievements of the defined program objectives through comparison of actual vs planned values of performance indicators and products. This continuous monitoring is a precondition for the evaluation of level of services provided by them. At the same time it provides a clear picture of budget tendencies allowing thus a quick response and taking adjustment measures where necessary

Standard Instruction on monitoring and reporting -Main requirements.

Constant and comprehensive monitoring of the budget allows LSGUs to evaluate their program objective' achievements by comparing actual values of performance indicators and products with planned ones. Constant monitoring of indicators is a precondition for the evaluation of the services offered to the citizens. At the same time monitoring should ensure a clear picture of tendencies or budget deviances. This would allow for increased responsibility and adjusting measures from LSGUs.

The monitoring process must reveal the capacities of the LSGUs to produce quality information besides fulfilment of legal preconditions. The one year practice of the local government reveals that the focus is on meeting deadlines rather than the quality of information presented. This results in often incomplete information that does not fulfil the purpose of budget monitoring.

The formats of presentation of financial and non-financial information in BEMR should not only refer to the requirement of the standard instruction but also be easy understandable by different groups of interests.

These formats might not always guarantee the understanding of everyone, which means that the same information can be interpreted differently. This might result in requests for further clarifications to the monitoring report, which could be part of the explanatory part of the report. This part does not always receive the necessary attention from municipalities, resulting in limited understanding of the financial figures as well as their interpretation.

The BEMR must include complete information related to policies and objectives specified in every program budget, accompanied by revenue collection rate and budget execution rate. The LSGUs must present financial information and the narrative part, including performance indicators for every budget program. Lack of this information or of the analysis in the narrative makes up for the difference in quality that is observed from one municipality to the other.

The Performance Indicators constitute an important part of the reporting template. They should be:

- a) Easy to understand
- b) Specific and strongly related with the policies and objectives of the program that will be achieved through it
- c) Easy to measure
- d) Identifiable: LSGUs must produce indicators for every budget program in such a way that they can be easily linked with provision of public services

An important part of the BEMR are also financial indicators which are used to evaluate the financial stability of the LSGU. Information on priorities, resources available, use of public funds, dependence from central government of the LSGUs, as well as if fiscal discipline is preserved.

It is important to find direct connection between program objectives and performance indicators of the program, in order to be able to identify products and their costs. If the financial information is not linked according to the methodology, it becomes very difficult to identify progress in performance of service provision. The LSGUs that apply this methodology, increase not only transparency on funds usage but can also measure the level of service provision provided to the citizens.

The report is not complete without the gender budget information, tax obligations not collected in time, information related to budget revisions and related reasons as well as detailed information on investments including source of funding. This information should be comprehensive, in order to provide a complete view of the situation in the LSGU.

BEMR must contain but not be limited to the following elements:

- ✓ Preface: General narrative on the process of monitoring and budget execution
- ✓ Detail on Policies and Objectives of specific programs accompanied by how they were achieved through revenue collection and expenditure allocation

-
- ✓ Filling of the predefined annexes where all values are aligned according to plan and actuals for the period under observation.
 - i) Annex 1: Expenditures by program
 - ii) Annex 2: Expenditures of program/economic activity
 - iii) Annex 3: Achievement of program products/performance indicators
 - iv) Annex 4: Achievement of objectives of the programs
 - v) Annex 5: Investment projects with foreign or own funds
 - ✓ Narrative with explanations for each of the formats above explained
 - i) Results by program and measures taken for improvement in problematic cases due to changes from initial plan
 - ii) Level of execution of performance indicators compared to plan
 - iii) Level of execution of products compared to plan in quantity and value revealing thus costs per unit
 - iv) Level of achievements of programs' goals and objectives that cover gender issues
 - v) Explanations in cases of changes in budget expenditures from initial plan at a program or economic activity level reflected at a product and performance indicators level
 - vi) Analysis on level of execution of investments
 - vii) Timeframe and structure of identified tax obligations, not collected in time
 - viii) Key financial indicators

Approach

Copies of the Budget Execution Monitoring Reports as approved by the municipal council are submitted to the Ministry of Finance and Economy for review according to Instruction 22, date 30.08.2018. These documents are screened by the Department of Local Finance at MOFE and remarks and recommendations are sent back to each municipality. For the purpose of the National Report the review and analysis of the BEMR submitted was conducted more extensively. The preparatory work followed in four stages:

1. Deskwork:

During which the submitted annual monitoring reports were carefully reviewed, analysed and compared against a list of legal requirement as listed in Table 3, which shows all the

criteria that were taken under observation for the purpose of this report and the sample size - number of municipalities for which the observation was conducted.

Sample size: The assessment of BEMR was conducted in 61 municipalities; thus, the sample includes all municipalities for most of the items under observation. A more thorough review was possible in municipalities where hands-on coaching took place.

As the table shows the criteria are classified into:

- compliancy requirements criteria
- performance analysis criteria
- benchmarking criteria

Table 3: Assessment criteria and sample size

	Assessment criteria	Municipality sample size
Compliance Requirements	Preparation of a report	61
	Program structure corresponds with suggested	12, Qualitative Method
	Goals, objectives specified; program codes correspond with names	12, Qualitative Method
	Budget changes from the initial plan	12, Qualitative Method
	Revenue by source	61
	Revenue realization	61
	Expenditure by program and realization	61
	Expenditure classification by economic activity	61
	List of investments	61
	Financial Indicators	61
	Performance elements	61
	Reported programs in MTPB and BEMR	61
	Main Pls identified	61
Analysis on performance elements	Main programs with use of PI	61
Benchmark	Cluster of municipalities that meet most requirements	61

Where the observation has not been conducted on 61 municipalities and the sample size is 12, the qualitative assessment method is applied, following the steps showed in Table 4.

Table 4: Method used for the evaluation of elements assessed qualitatively

Method for the elements that will be assessed qualitatively						
Step 1	Step 2	Step 3	Step 4	Note	Municipalities	Narrative
Municipality Sample 12 (1 per region)	Revision of evaluations given by ministry and different projects	Reviews of Annex 3 and its compliance with MR objectives	Narration of findings	Is applied to criteria that are evaluated based on selected sample	Rrogozhinë, Durrës, Patos, Shkodër, Dibër, Has, Himarë, Urë Vajgurore, Dropull, Librazhd, Lezhë, Korçë	Tendency

2. Field Visits:

Field visits were conducted to almost all municipalities in order to understand challenges and progress of municipalities, especially with respect to use of performance elements, quality of technical and financial data reported, internal processes and main actors involved in the monitoring report preparation.

3. Database creation and data analysis:

Bulk of data received were coded and placed into a database and analysed descriptively. Data are coded as follows: element present corresponds to yes, element not present corresponds to no, element partially present corresponds to partially, and no information available whether the element is present corresponds to NA.

Example

Municipality	Element under observation	Value
X	MR Produced?	Yes

A compliancy score was than applied to all municipalities based on the criteria measured quantitatively according to which they are ranked as shown in Table 5.

Table 5: Compliancy Scoring

Points	Standard
11 to 8.5 points	high compliancy
8.5 to 6 points	above average
5.9 to 3.5 points	average
3.5 to 1 points	below average
0 points	no compliancy

Limitations: The Report builds primarily on the compliancy criteria which are quantifiable and are, therefore, scored shown in table 3. Another group of equally important criteria that are assessed only qualitatively and are not scored.

Benchmarking: the Report provides an analysis of content for a smaller pool of municipalities where efforts and hands-on coaching has been more intense. The Report assesses and compares the municipalities

efforts with respect to compliancy by a compliancy score and by pointing out best performers.

We also go in more in-depth analysis with respect to use of performance elements.

Sequenced Approach: The National Report on compliancy and data availability is a pre-condition for a more analytical product in the coming year.

3. Compliance

and use of performance indicators in BEMR 2018

The Report looks now at the legal requirements for municipalities to report on their budget execution and achievements, and provide a country-wide picture of how municipalities have complied with the requirements. Further a more thorough analysis of the use of performance indicators to report achievements related to program budgets is provided.

Data analysis by municipality allows to cluster municipalities with respect to compliancy of monitoring report 2018. Next to it, the compliancy score of all municipalities is revealed.

3.1 Compliance with basic reporting requirements

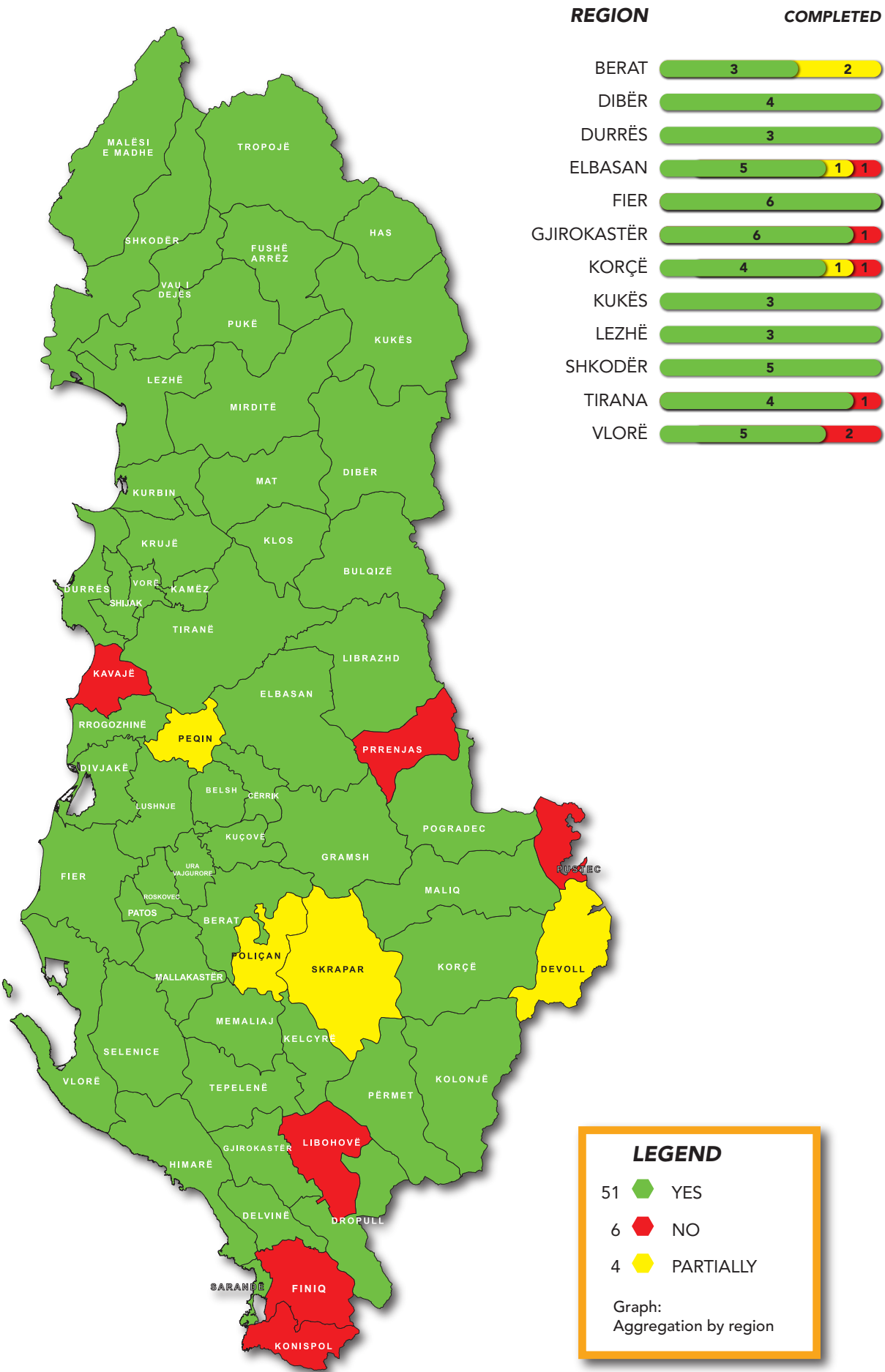
The Municipal Monitoring Reports in general are not yet complete and coherent enough to allow for due monitoring. At this stage we assess therefore the efforts of municipalities to start producing the needed information along the instruction of the MOFE.

1. Have municipalities prepared a monitoring report?

Map 1 shows that **9.8% out of 61 municipalities (6 municipalities)** have not submitted a monitoring report for 2018. Partial submission in this case means that the municipality has submitted only the annexes but not the narrative, or the other way around.

55 municipalities have submitted the BEMR 2018 report while the majority, **84% or 51** municipalities have submitted a complete monitoring report including annexes and narrative; only 4 municipalities have submitted a non-complete version.

Map 1: Municipalities which have produced a Monitoring Report in 2018



PROGRAM STRUCTURE OF THE BEMR 2018

The new laws and by-laws require that municipalities report their expenditures by program structure, aligning also the level of execution of expenditures: plan vs. actual for every program. As this is a recently imposed structure, it is understandable that the LSGUs encounter some difficulties in fully incorporating this logic in the monitoring report. Below are listed some of the main difficulties observed.



We must call attention to the fact that the difficulties observed during the process of monitoring and reporting for the creation of BEMR 2018 are strongly linked with the most recent change of the program structure imposed by the introduction of the Financial Planning Tool for the MTBP 2018-2020 in the middle of the year 2018.

2. Program structure correspondence with the approved structure

Municipalities very often do not reflect the suggested program structure as explained in the by-laws. The following example highlights the main mismatch observed: Local Public Services is a program randomly used to calculate expenditures of all the following services: street lighting, waste management and other local services such as cemetery maintenance etc.; waste management and street lighting are separate programs under the new suggested structure. Expenditures of these programs should be calculated and reported separately. Agriculture related services are also merged in one program.

3. Achievement of goals and program objectives

Program goals and objectives are important because they explain in broader terms the achievements of a budget program. The achievements in this aspect are to be included in the separate annex 4 and can be narratively

explained in the monitoring report text body. We observed that most of municipalities have not monitored the achievements of program objectives and linked them with the products created under the respective program as foreseen by the legislative framework, laws and by-laws.

4. Budget changes from initial plan

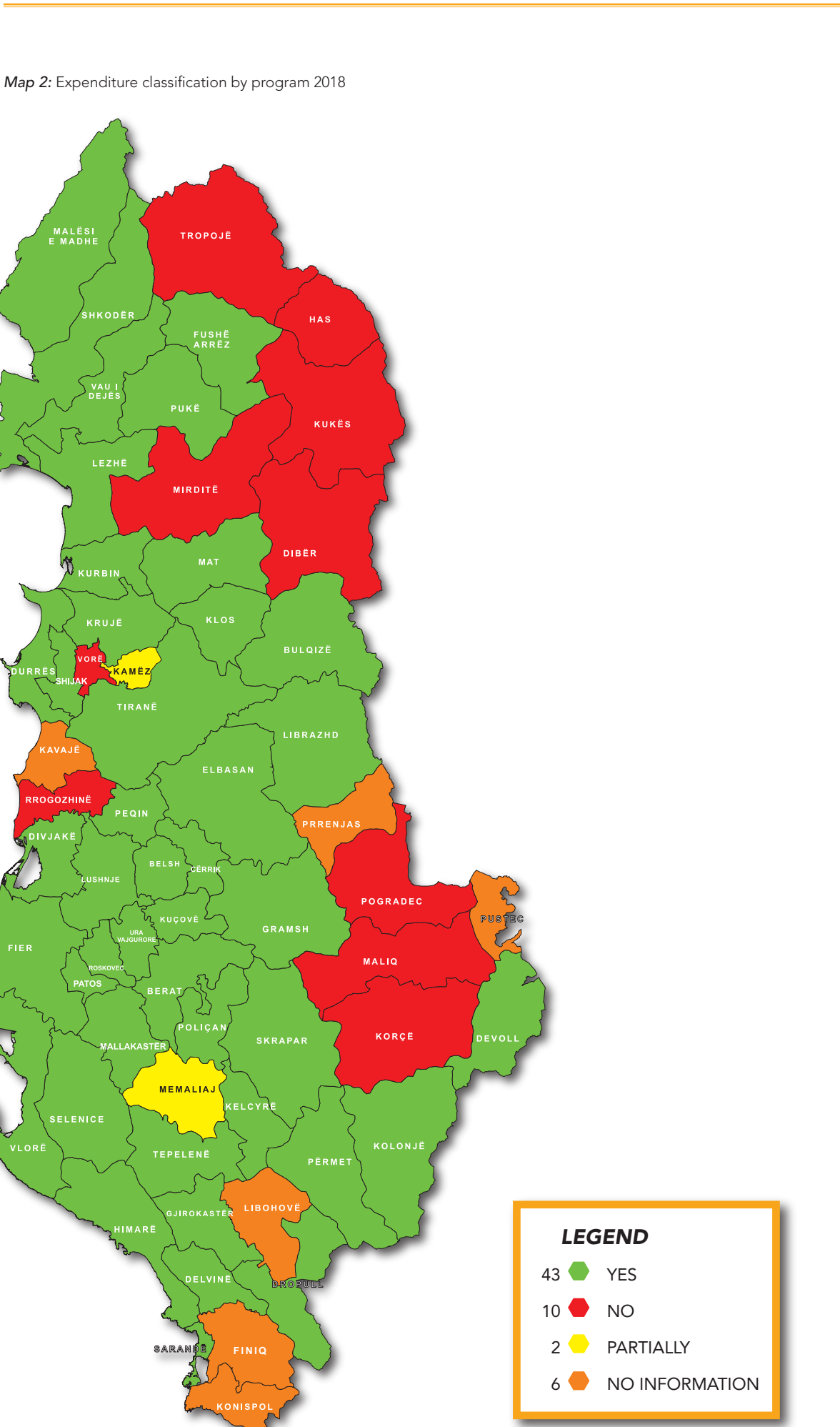
Another important aspect to be mentioned is that most of BEMR submitted lack proper argumentation in cases where changes from initial plan have been made at an overall expenditure level and further down at a program level. Budget reviews are an important element that needs to be reported better as part of the monitoring and reporting process. The ongoing publications of the council decisions related to budget changes, can enhance transparency and communication of this aspect to third parties.

5. Reported programs in MTBP and BEMR 2018

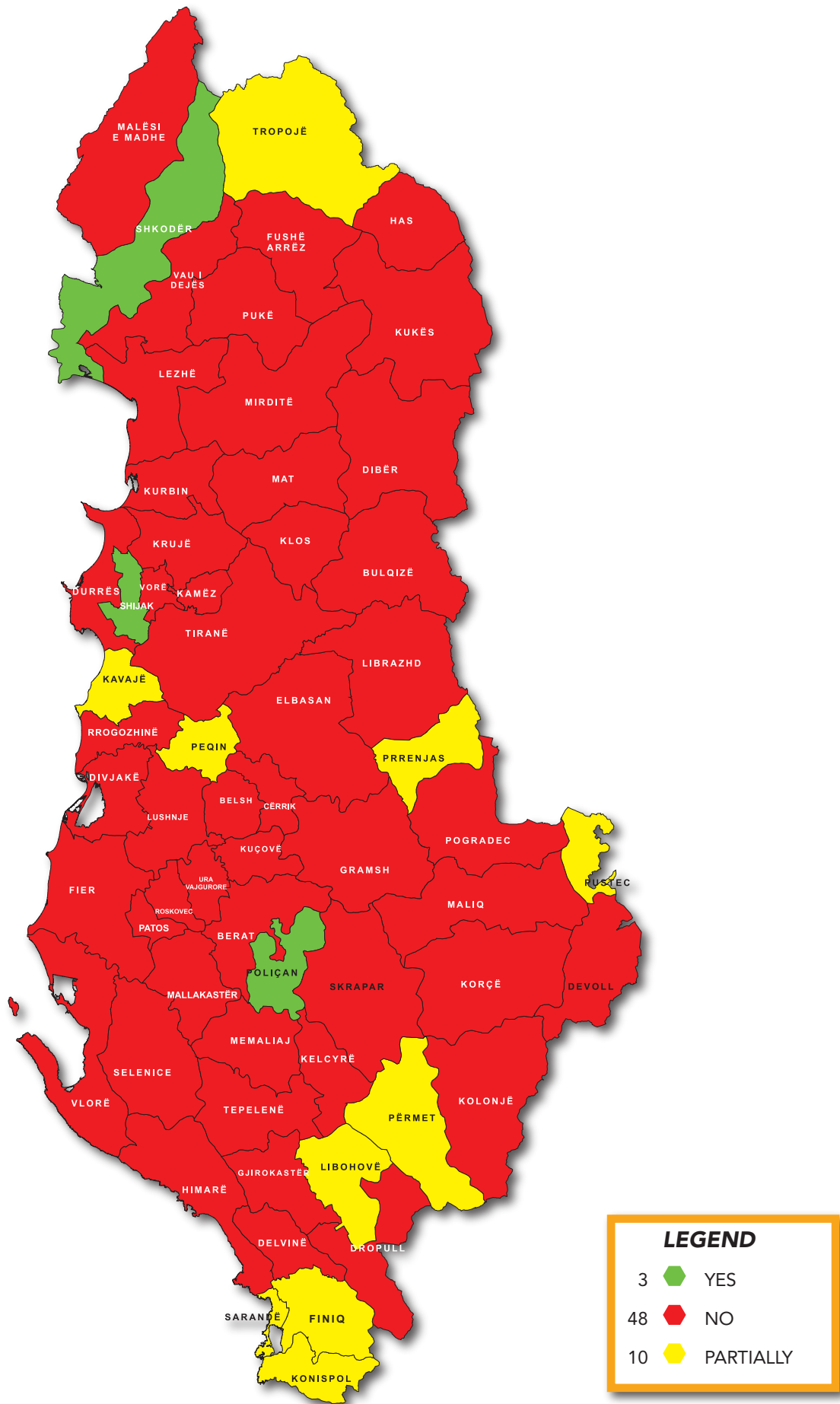
The analysis shows that different programs have been used in the BEMR 2018 when compared with MTBP 2018-2020. The discrepancies are apparent also at the program description level or with the usage of the wrong the program code.

Despite of these problems, the program structure is consolidating across LGSUs' monitoring processes as Map 2 shows. Only **43 or 70%** of municipalities have submitted the annex with expenditures by program and alignment of plan, actual values and rate of execution. **Two** municipalities have filled the annex only partially. **54 or almost 90%** of municipalities incorporate the program structure in their monitoring report, either in the narrative or in the annex. There is no information for **6** municipalities as they have not produced a monitoring report. Only one municipality does not apply the program structure in the BEMR.

Map 3 that shows whether the municipalities have used the same programs in the monitoring report as in the MTPB 2018, supports the observation from above. Only 3 municipalities have used the same programs in the planning phase as well as in the monitoring phase even though we know that this phases should mirror each other.



Map 3: Same programs reported in MR 2018 and MTBP 2018-2020



6. Expenditures classification by economic activity

The methodology of Public Finance Management requires that during the monitoring process the LSGUs follow the logic of their MTBP (planning) process. They are required not only to report expenditures by program and the level of realisation in this context but also to list current and capital expenditures by items as foreseen by Albanian laws (quote): wages, salaries, goods and services transfers under current expenditures and liquid and non-liquid assets under capital expenditures. The economic classification of expenditures is a classical reporting format with which LSGUs are much more familiar than the newly imposed program budget.

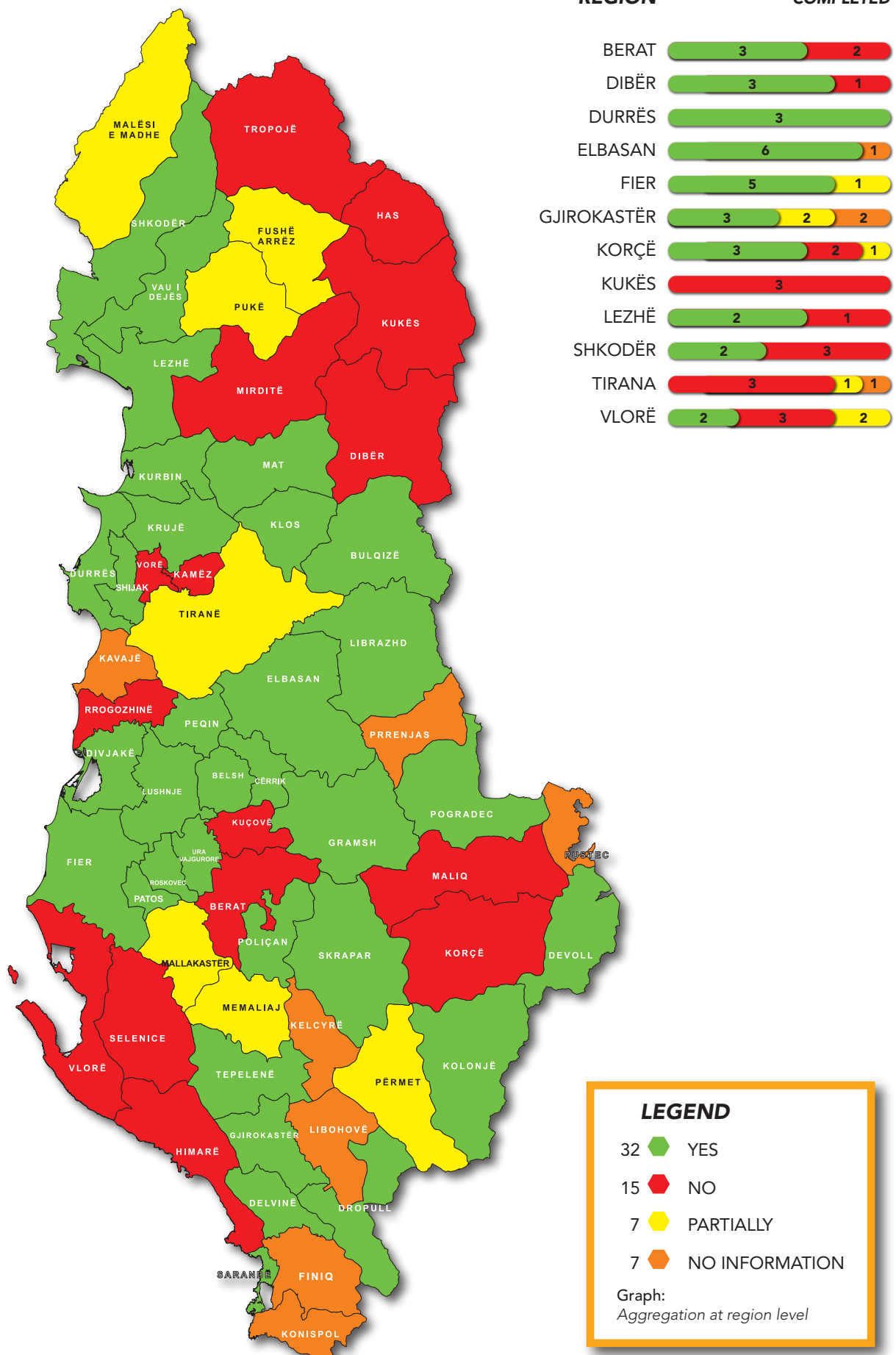
It had been observed that some municipalities have not appropriately filled the format of expenditures by economic classification. The lack of appropriate information in this format limits the capability of LGUs and community interest groups to identify where the budget funds are being spent.

Expenditures by economic classification or Annex 2 is filled only by 39 municipalities or 64% in the BEMR 2018 with 32 municipalities that have filled the annex entirely and 7 municipalities that have filled this information partially.³

About 15 municipalities or 24.5% have not filled the expenditure annex even though they have submitted a monitoring report. For more details on municipal results refer to Map 4.

³ Expenditure by economic classification is sometimes in the report but not in the annex and vice versa and/or that both plan and facts are not featured.

Map 4: Expenditure classification by economic activity in 2018

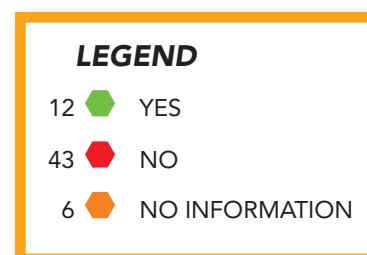
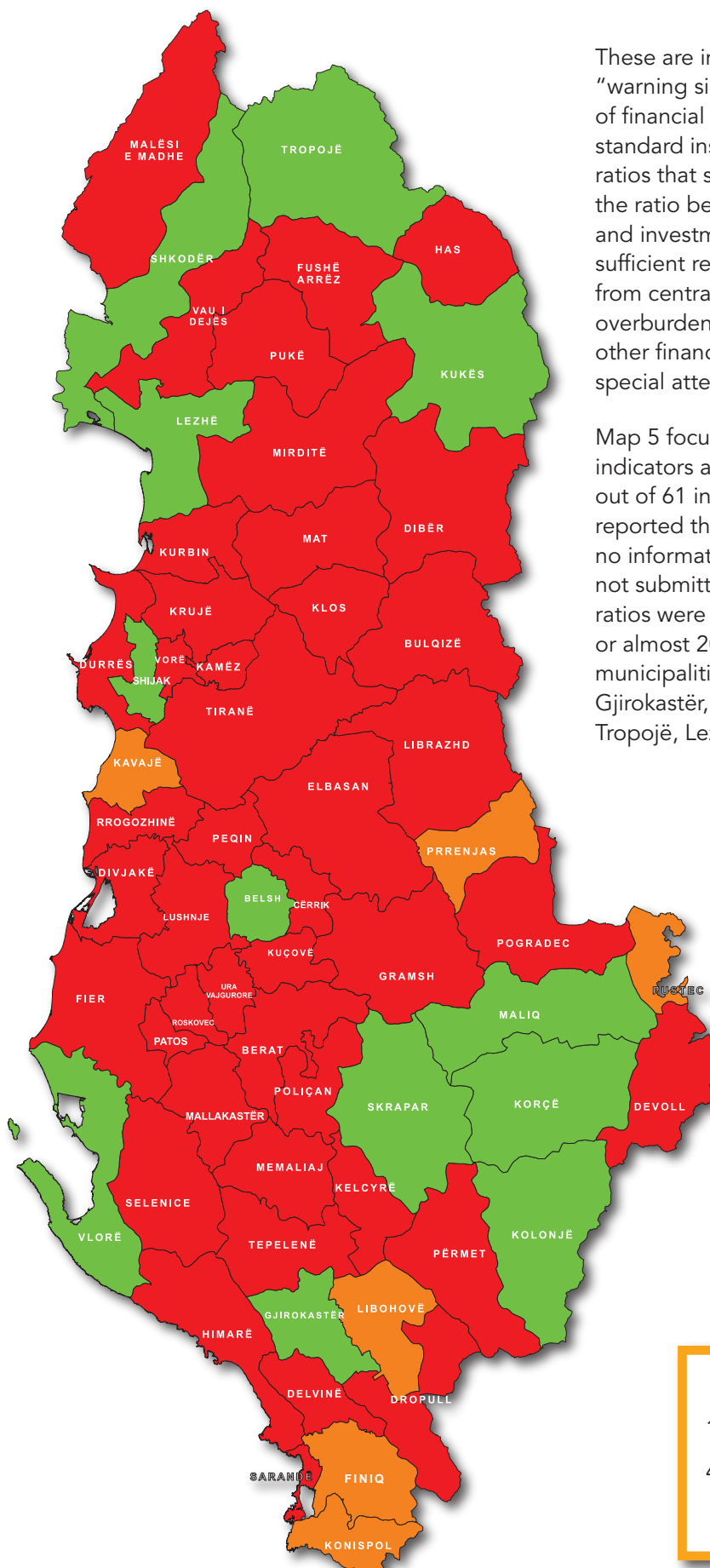


Map 5: Reporting on financial indicators 2018

7. Financial Indicators

These are important ratios serving as “warning signals” that facilitate an overview of financial situation of the municipality. The standard instruction foresees 11 financial ratios that signal on several topics such as: the ratio between operational expenditures and investment, if the municipality collects sufficient revenues and how depended is from central transfers, if the municipality is overburdened by debt or whether there are other financial risks, such as arrears, that need special attention.

Map 5 focuses on the reporting of financial indicators and reveals that 43 municipalities out of 61 in total, or 70.4% have not reported their financial indicators. There is no information on 6 municipalities (that have not submitted a BEMR 2018). The financial ratios were shown only by 12 municipalities or almost 20 percent of the total. These municipalities are Skrapar, Shijak, Belsh, Gjirokastrë, Kolonjë, Korçë, Maliq, Kukës, Tropojë, Lezhë, Shkodër and Vlorë.

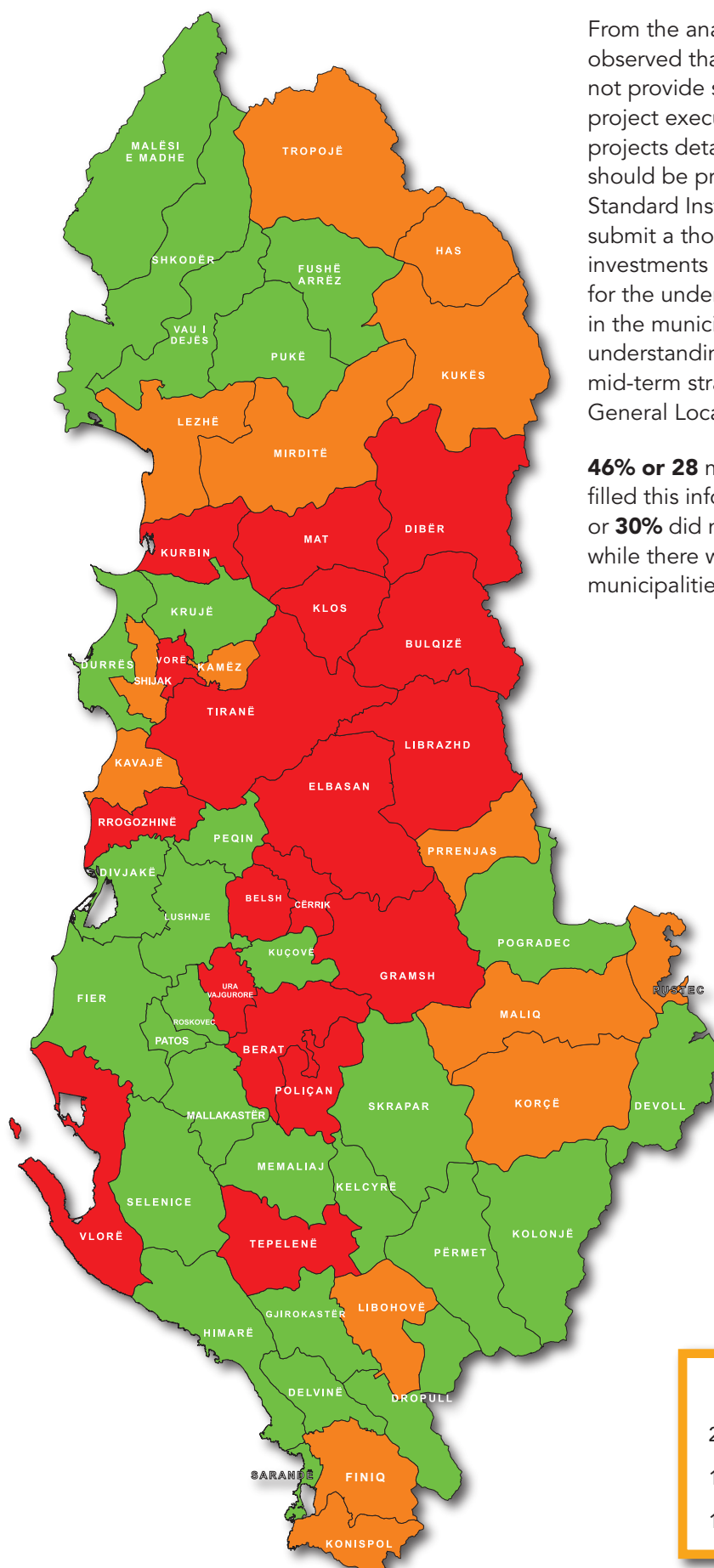


Map 6: Reporting on main investments 2018

8. Investment Projects

From the analysis conducted, it was observed that many municipalities do not provide such detail on investment project execution. These are important projects details on which information should be provided in Annex 5 of the Standard Instruction. The LSGUs must submit a thorough analysis about ongoing investments projects as this is crucial for the understanding of the situation in the municipality, as well as for the understanding of level of implementation of mid-term strategic objectives and goals and General Local Plans.

46% or 28 municipalities out of **61** have filled this information, **18** municipalities or **30%** did not provide this information while there was no info available for **15** municipalities, almost **25%** of the total.



LEGEND

- 28 ■ YES
- 18 ■ NO
- 15 ■ NO INFORMATION

9. Reporting on Revenues

The assessment of 61 municipalities shows that most of them provide complete information on LSGUs revenue sources. It must be highlighted that despite of the accuracy of information provided, some deficiencies are observed related to 1) classification by source 2) identification of factors contributing positively or negatively in the collection 3) analysis of planed vs achieved revenues.



The analysis of deviations between planned and achieved revenues is of extreme importance as it impacts directly the execution of expenditures. It is observed that in general LSGUs do not analyse or argument the deviation between planed expenditures and actual ones that are created in the process of budget execution.

This poses the necessity of proper evaluation of revenues by LSGUS in order to be able to plan the budget expenditures correctly, contributing thus in improvement of fiscal discipline and reduction of risks deriving form over-estimated revenue.

For 2018, it is observed that own revenue collection (from local taxes and tariffs) in most of municipalities ranges between 60-70 percent, while no changes in fiscal policies that could have affected this lack of realisation, were observed during the year.

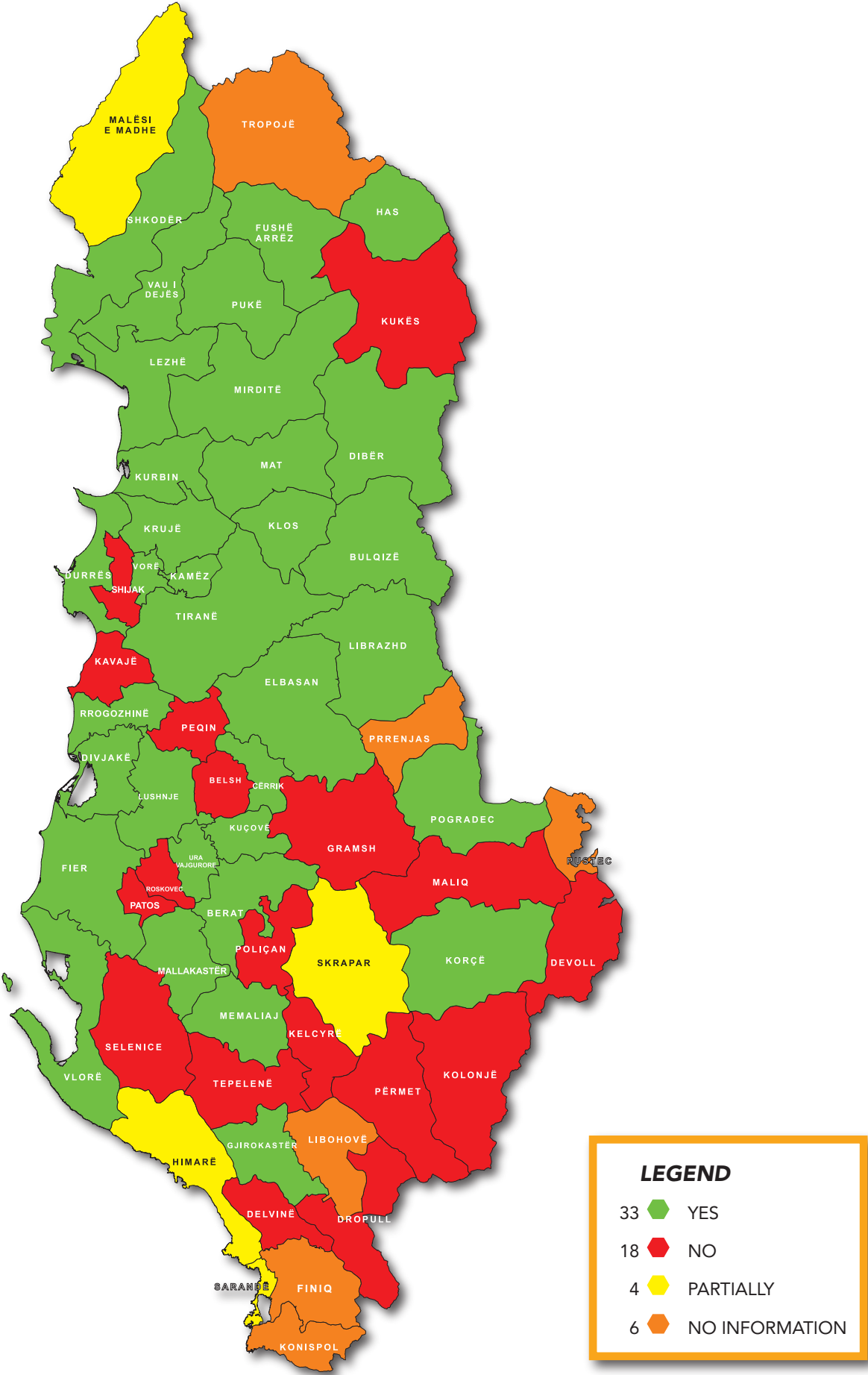
The difference between planed and actual collection of revenue increases the risk of creation of arrears as well as of unfinished investment projects in different local services.

The low revenue collection has directly impacted the level of expenditures in 2018.

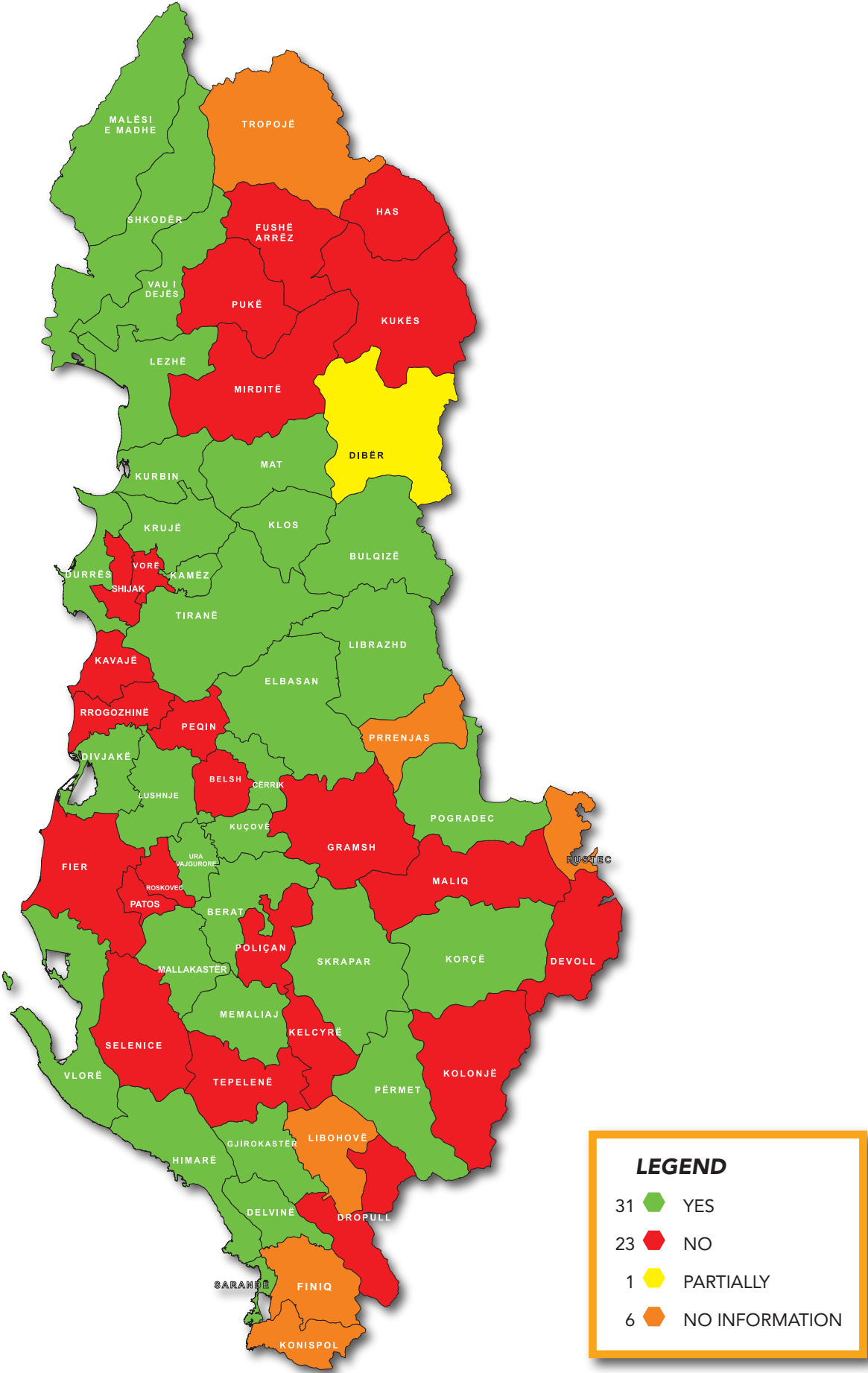
Map 7 shows which and how many municipalities have reported revenues by source in their monitoring report while Map 8 indicates how many have reported how actual values correspond to planed revenue collection.

33 out of 61 municipalities or **54%** have provided information on revenues by source while **4 municipalities** have partially provided this information. **31** out of **61** or **51%** have provided information on planed revenue and actual values collected vs. **29** municipalities that have not provided this information (including the ones that have not produced a BEMR at all). Only one municipality has provided a not complete version.

Map 7: Revenue reporting by source in 2018



Map 8: Revenue Reporting Plan vs Fact in 2018



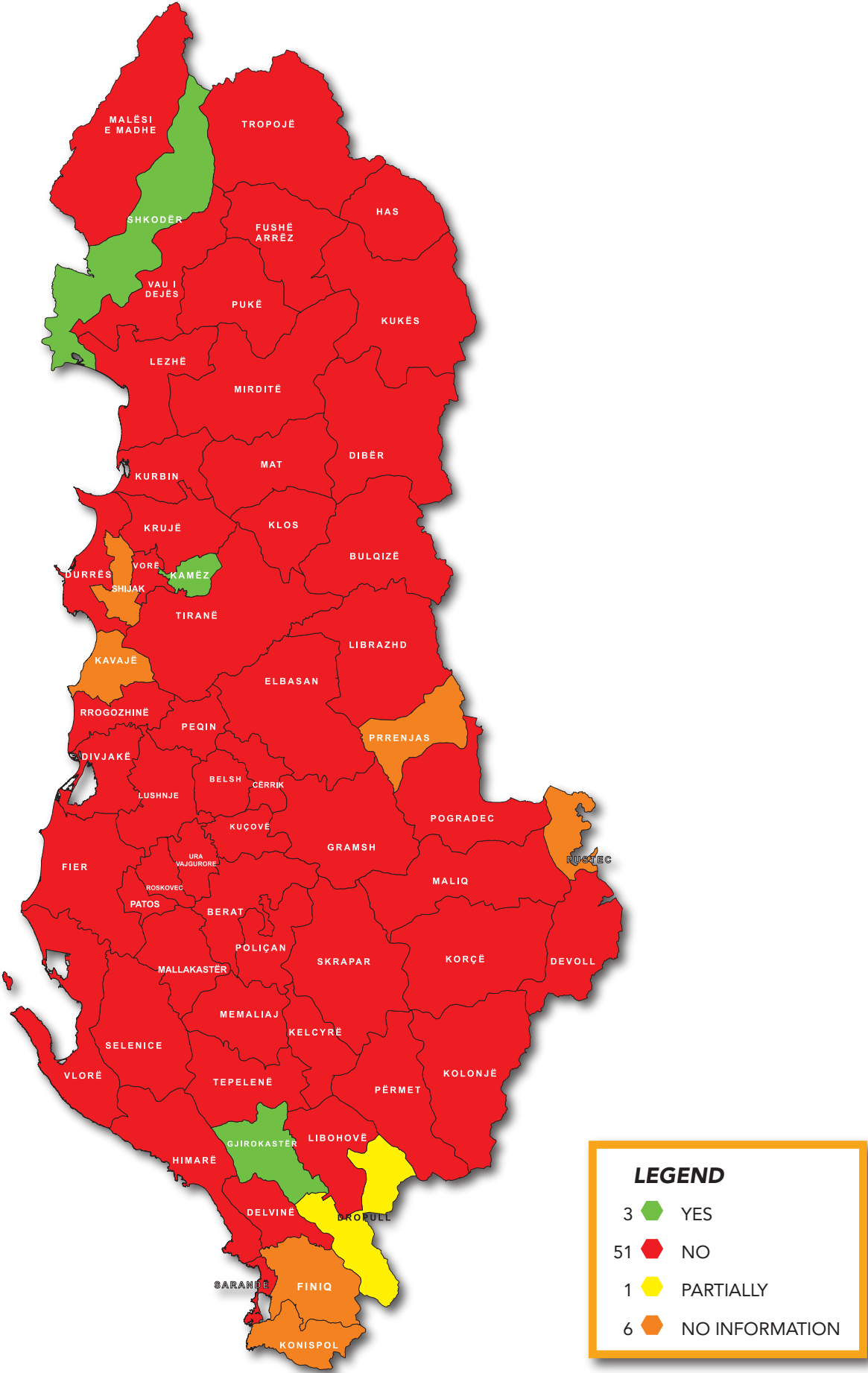
10. Performance Indicators

Most of municipalities find it difficult to analyse and report on these non-financial topics. Even the municipalities that have reported on performance indicators in Annex 3 have not been able to link this performance information with the achievements of program objectives as foreseen in annex 4. Map 9 and 10 show how many and which municipalities have filled annex 3 or 4 or have included performance indicators or products in the monitoring report text body. There are only 6 municipalities that have tried to meet requirements for the BEMR 2018 in this aspect: Shkodra, Gjirokaster, Korce, Dropull, Belsh, Mallakaster, Kuçova, Kamez (this last only annex 4).

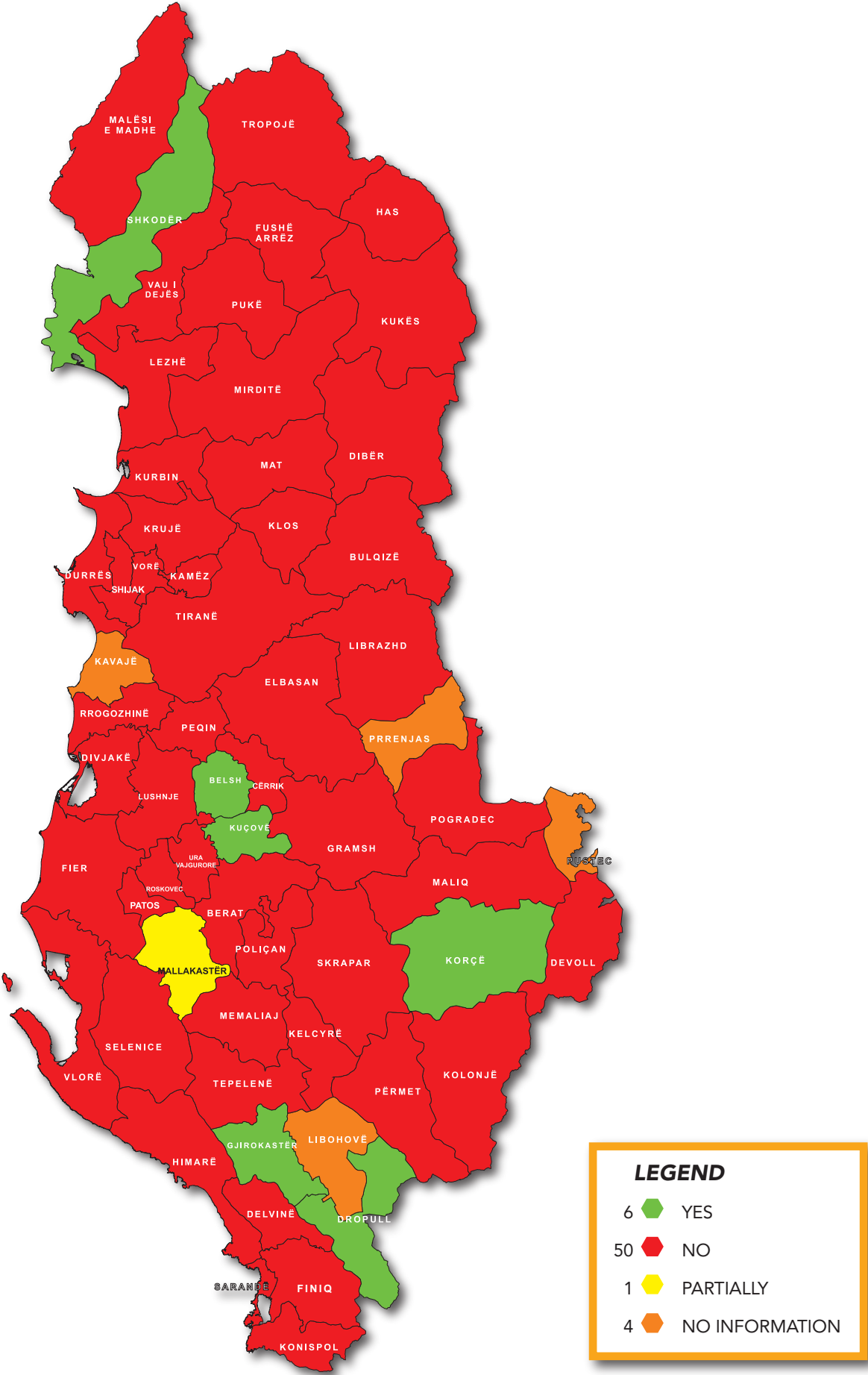


The analysis shows that LSGU staff has a good understanding of the methodology to define performance indicators, while it finds it more difficult to implement the concept in their planning or reporting processes. Examples on performance indicators and products could facilitate the understanding and implementation of these concepts, improving eventually the evaluation of the provision of public services by LGSUs.

Map 9: Use of performance indicators in the MR documentation 2018



Map 10: Use of performance indicators in the narrative MR 2018



3.2 Use of performance indicators in BEMR

The following section provides insights on the use of performance information; it shows *in which budget programs performance indicators are mostly used and which are the most frequently used indicators*. Table 6 below shows the existence of performance information in the monitoring report or in annexes 3 and 4 of the report by budget program. 18 programs had indicators assigned in Shkodra, 9 programs in Gjirokastra and 9 in Dropull.

Performance indicators are most frequent in programs that provide tangible services to the community: waste management, city cleaning, city lights, road maintenance, drainage and irrigation, fire rescue, education, other local public services. Shkodra municipality is an example with a large number of programs and indicators per program.

Regarding form and content of the indicators, it was found out that ratios are rarely used as measurement unit. One very good case of a performance indicator is found under Primary and Pre-school Education. This is the “number of student per class”; it reflects a national standard. In most of the cases the indicators

are dedicated to outputs (km of road maintained, etc.); in several cases, also input-related indicators are used (staff engaged for a certain program).

In some other cases, indicators that express ratios or shares are used but it is unclear what they represent as they are not linked with products or outputs. This can be one of the starting points to the data quality discussion in the next chapter. Some of the examples are highlighted in yellow in the table 7.

The use of indicators for the program brings to light another structural problem touched upon above: the fact that the structure of the program does not always correspond with the one suggested by law; for instance in some cases the waste management or street lighting indicators are found under the program: Local public services which is meant for those services to which no respective program is assigned. For more detail on the actual indicators used by municipalities in 2018 to report on their program results and achievements please refer to table 7.

Table 6: Indicators used by Program in BEMR 2018

Program name	Indicators			
	Shkodër	Gjirokastrë	Dropull	Korçë
P.1 Planning, management and administration	40		1	6
P.6 Fire protection and rescue	4	1	2	4
P.8 Support to Economic Development	11			
P.11 Management of irrigation and drainage infrastructure	13	1	2	2
P.12 Forest and pasture management	18	1	1	4
P.13 Road System (rural + urban)	2		2	3
P.17 Waste management Service	2	1	2	
P.18 Waste water and sewage management			2	
P.21 Local Urban Planning	5			
P.22 Development Programs	5			
P.23 Local Public Services	5	2		3
P.25 Street lighting	1	1		
P.27 Sport and advertisement	5			2
P.28 Cultural heritage, artistic and cultural events	9	1		1
P.29 Primary and pre-school education	9	3	1	6
P.30 General (pre-university) education	7	1	1	
P.32 Social care for the sick and disabled people	4		6	
P.33 Social care for the families and children	49			

Table 7: List of indicators used by municipalities in the BEMR 2018

Program Description	Indicator	Measurement Unit
P.1 Planning, Management and Administration	People trained	Number
	Increased number of new court cases won from municipality	%
	Opening of new counters to respond to citizen demand	%
	New registered businesses as a percent of total	%
P.6 Fire protection and rescue	Number of interventions Number of fireman trained	Number Number
	Transport costs	All
	Number of new fire extinctions	pieces

Program Description	Indicator	Measurement Unit
P.11 Management of irrigation and drainage infrastructure	Rehabilitation and Maintenance of irrigation canals Rehabilitation and Maintenance of watering canals Number of inspections	ml or km ml or km number
P.12 Forest and pasture management	Total Pasture and forest management of LGU	ha
P.13 Road system (rural + urban)	Road maintained (rural and/or urban)	km or m
	People engaged in maintaining roads	number
P.14 Public transport	Building of new bus terminal	piece
	Increase of investment for new public spaces	%
P.17 Waste management service	waste collection/removal	tons
	number of bins	pieces
P.18 Waste water and sewage management	citizen water contracts	number
	new pumps operationalized	number
P.21 Local Urban Planning	Number of applications of municipality for social housing	number
	Number of applicants for social housing	number
	Number of studies for urban development	number
P.22 Development Programs	Number of new markets	number
	Tourism Promoting new activities	number
	Number of fair organized	number
	Number of publications produced	number
P.23 Local public services	Amount of waste removed during cleaning	number
	number of bins	pieces
	Maintenance of cemetery	ha
	Maintenance and new green areas	m2
	Maintenance of city lights	ml
	Decorations of public squares	pieces
P.25 Street lighting	Maintenance of city lights	ml
P.27 Sport and advertisement	number of sport activities	number
P.28 Cultural heritage, artistic and cultural events	number of cultural activities	number
	number of visitors/ tickets sold	number
	number of shows	number
P.29 Primary and preschool education	number of institutions maintained	number
	number students per teacher	ratio
	number of beds for kids accommodated nurseries	number
	number of teaching staff	number
P.30 General (pre-university) education	number of teaching staff	number
	number of institutions maintained	number

Program Description	Indicator	Measurement Unit
P.32 Social care for the sick and disabled people	number of people benefiting	number
	number of services offered	number
	30 plus products Shkodra	
P.33 Social care for the families and children	number of kindergartens	number
	number of children/toddlers enrolled	number
	improve of quality of service in child protection	%
	increase of staff as a ratio to the beneficiaries	%
	new 24 hours center opened	piece
	number of staff per nursery	number

3.3 Benchmarking and clustering of municipalities

We scored the compliancy of the Monitoring Reports 2018 of Municipalities with legally required features of this report as shown in table 8:

Table 8: Benchmarking criteria

1. MR produced
2. Use of Financial Ratio in MR
3. Expenditures by Program (Annex Filling)
4. Use of BP in MR related documentation (MR or Annex 1) 2018
5. Revenue by source (Yes/No, Partially)
6. Revenue plan vs fact on MR
7. Expenditure by Economic Classification Annex 2
8. Same BP in MR & MTBP
9. List of main project investments
10. Planning data in MTBP 18-20 match with MR 18
11. Filling of Annexes 3 and 4

Each municipality was evaluated whether they provided the information per element and rated in the following way:

- Yes = 1 equal to 1 point,
- No = 2 equal to 0 points,
- Partially = 3 equal to 0.5 points, and
- No information = 4 equal to 0 points.

The total score range is between 11 to 0 points. The best achieving municipalities and their scores are shown in the following table.

Limitations: this scoring does not take into account problems related to program structural problems if any, and any other elements of the report that are assessed qualitatively on a smaller sample.

Shkodra, Gjirokastra and Korca are the three municipalities with the highest compliancy rate. Municipalities had the greatest difficulty on reporting on three points: Same Budget Programs in Monitoring Report & MTBP, Planning Data in MTBP 18-20 match with Monitoring Report 18, Filling of Annexes 3 and 4.

Figure 2: Clusters of better performing municipalities with respect to compliancy with legal requirements*
(6.5 to 11 points)

Shkodër	11	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
	Gjirorkastër	9	YES	YES	NO	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES
Korçë		8.5	YES	YES	NO	NO	YES	YES	YES	YES	YES	YES	YES	PARTIALLY	
Vau i Dejës	7	YES	YES	NO	NO	YES	YES	NO	YES	YES	YES	YES	YES	NO	
Skrapar	7	YES	YES	NO	N/I	YES	YES	YES	YES	YES	PARTIALLY	YES	YES	NO	
Lushnjë	7	YES	YES	NO	NO	YES	YES	NO	YES	YES	YES	YES	YES	NO	
Lezhë	7	YES	YES	NO	NO	YES	YES	YES	YES	N/I	YES	YES	YES	NO	
Krujë	7	YES	YES	NO	NO	YES	YES	NO	YES	YES	YES	YES	YES	NO	
Durrës	7	YES	YES	NO	N/I	YES	YES	NO	YES	YES	YES	YES	YES	NO	
Divjakë	7	YES	YES	NO	NO	YES	YES	NO	YES	YES	YES	YES	YES	NO	
Sarandë	6.5	YES	YES	N/I	N/I	YES	YES	NO	YES	YES	PARTIALLY	YES	YES	NO	
Mallakastër	6.5	YES	YES	NO	NO	PARTIALLY	NO	YES	YES	YES	YES	YES	YES	NO	
	0 5 11 Total Points	Expenditure by program (Annex 1)	Expenditure by program in narrative	Same BP in MR 2018 & MTBP 18-20	Planned Data MTBP 18-20 = MR 18	Expenditure by Econ. Classification	Financial Ratio in MR	List of project investment	Revenue by Source	Revenue Plan vs Fact in MR 18	Filling of Annexes 3 or 4				

* Production of MR is included in the score but not in the Cluster table

 Yes = 1 equal to 1 point
 Partially = 3 equal to 0.5 points
 No = 2 equal to 0 points
 No information = 4 equal to 0 points.

Figure 3: Compliance Score of BEMR 2018



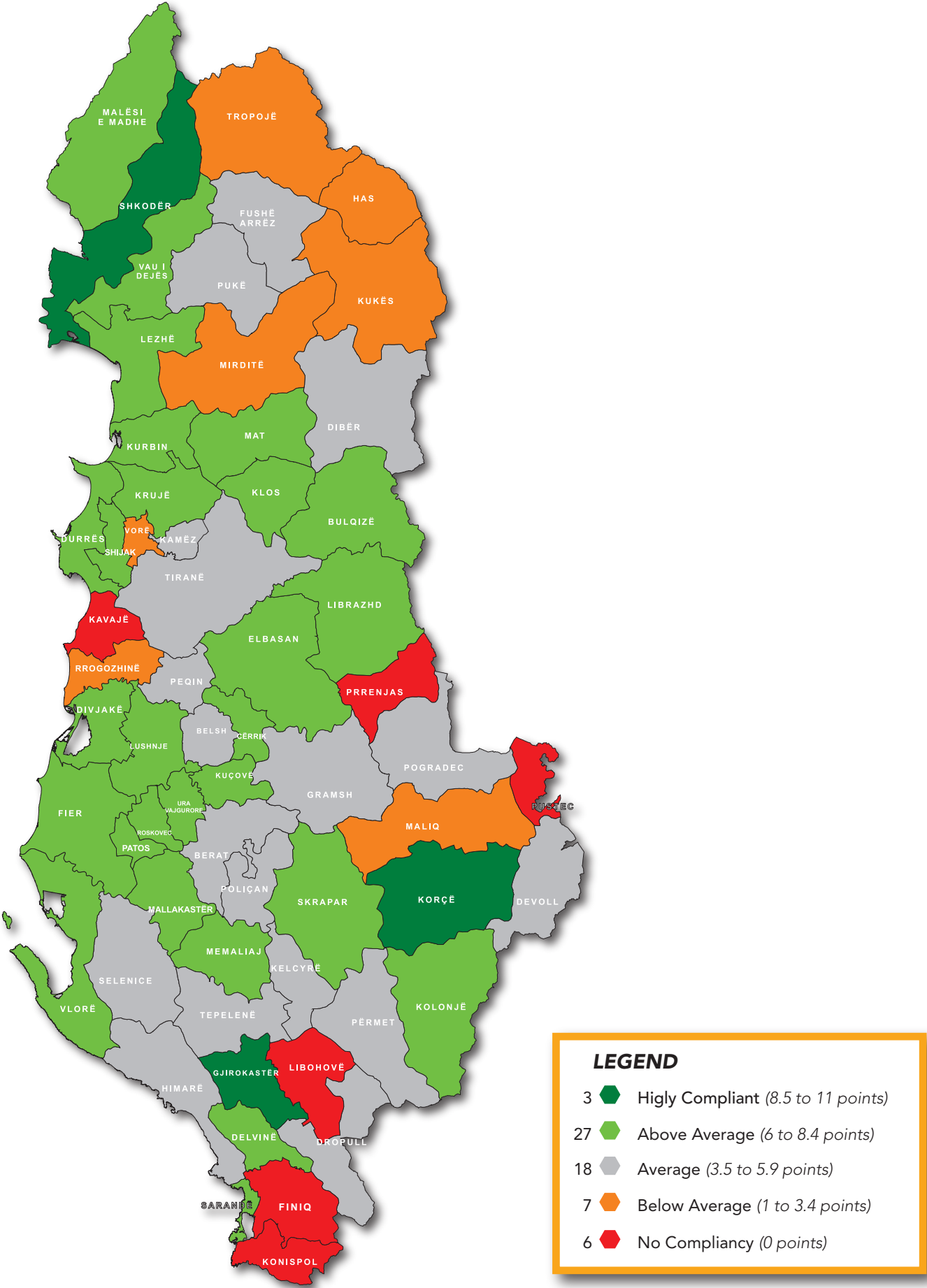
Compliance Score of BEMR 2018

Map 11 shows the compliance score of BEMR 2018 for all municipalities. Only 3 municipalities or 5 percent fall under the high compliance range. 27 municipalities or 44% fall under above average compliance range, 18 municipalities or 30 percent fall under average compliance range, 7 municipalities or 11.5 percent fall under below average range and 6 municipalities or 9.8 percent show no compliance.

A large number of municipalities (45 out of 61) or 74 percent are positioned in the mid ranges of compliance and score between 4 to 7 points. Fully compliant municipalities are rare cases as well as municipalities that are non-compliant.

As a result, we can say that most municipalities in Albania have tried to be compliant to the legal requirements for monitoring and reporting of budget execution in 2018, however few of them have succeeded in meeting the requirements that make the linkage of program objectives, expenditures and results visible.

Map 11: Compliancy score of BEMR 2018



4. Data Quality Issues

Data under observation: Monitoring Reports 2018, Financial Planning Tool 2018, Medium-term budget preparation 2018-2020, other documentation provided by the municipality during field visits. For the purpose of data quality, the data is divided in two main categories: financial data and technical data.

Financial data represent public funds used for delivering services to citizens as well as revenues and expenditures by different categories required by Albanian legislative framework.

Technical data represent core non-financial information that represents services delivered and is necessary to complement the understanding of the budget of municipalities. Such information is usually presented as products, sometimes also as input (not monetary values), and it is used as the basis of calculation of performance indicators

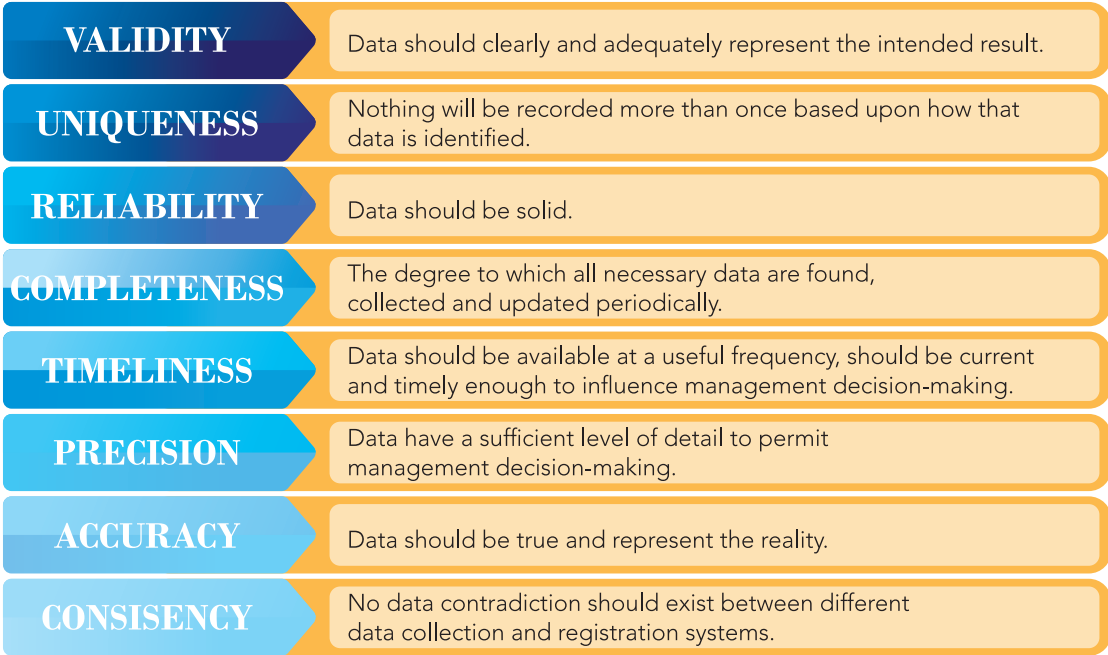
Data presented by municipalities were qualitatively checked by on how they match dimensions shown on figure 4.

Limitations of the data quality observations

Full data quality assessment on all above mentioned dimensions could not be conducted due to several limitations: 1) time, 2) customisation of methodologies to the existing needs of municipalities in Albania. The assessment time was very short, only a couple of months. This was a first stage observation during which in depth data quality assessment would not have been possible. Full data quality assessment across all dimensions needs to be conducted in very close collaboration with the municipalities staff involved in the data process generation that feed performance indicators. This was not possible. However, inconsistencies and problems observed in the above-mentioned dimensions are presented in brief below.

It was observed that for all these dimensions, processes and mechanisms ensure a better quality of financial data than of technical data.

Figure 4: Dimension of data quality assessment



Observations with respect to financial data inconsistencies across dimensions.

All financial information (being that on revenues or expenditures) is collected through treasury system and shared with Municipality. The monitoring reports are supposed to be prepared based on consolidated annual data received from treasury. In fact, an official document is signed between the Municipal Head of Finance and the Treasury Head of Branch that operates with the respective municipality. Therefore, the source of information should be unique and coincide for all budget items. Some issues are related with the conditional transfers that municipalities receive from central government institution. Evidence showed that municipalities do not include these funds in their original annual budgets. It was observed that items included in the budget document are financial resources flowing from the unconditional transfers, shared taxes and own municipal revenues. In contrast, records regarding conditional transfers are kept separate from those of the approved budgets although the amounts and conditions are formally notified to the Municipal Council. It should be possible however to prepare and present revenues and expenditures from all sources of

financing including conditional transfers in a consolidated format for the monitoring report.

The municipalities have inconsistencies in the composition of reported expenditure by program classification due to changes of the program classification implemented in the FPT from the first version to the current version in use. Until 2017 municipalities were using a program-based classification of their expenditures based on their understanding on what belongs where. Municipalities where using from 10-14 programs mainly those for which they allocate most of their budget. The new release of the FPT was developed during 2016-2017 and was introduced by end of 2017. The initial version was classifying the municipal expenditures into 29 programs. Later, a revised version (which is the official version in use by Ministry of Finance and Economy) was issued reclassifying the programs into 27 subfunctions which consist of a total of 36 municipal budget programs. Therefore, planning and execution of budgets classified in programs does not match in most of the cases we have assessed. Some head of finance who have experience and a very good understanding of programs have been able to accommodate plan and fact figures of programs for the year 2017.

These circumstances caused some of the inconsistencies between figures of budget programs and their economic classification in some cases.

It is also noticeable that the planned values deviate greatly from actual values and are reported without a lot of detail on the reasons for the deviations.

Observations with respect to technical data difficulties across dimensions

Data can't be easily found: Availability of such data were a problem, validity and accuracy another. Technical data are usually scattered, stored in laptops and computers of a multitude of departments.

There is no consistency in frequency of data collection: Based on the first findings, there is no evidence that municipalities record a set of data and update these periodically. For example, the department of forest and pasture management has operational plans aiming to share job between staff members and report. There are no clear inventory data on forest and pasture and concrete mapping of the properties owned by the municipality or private subjects. Technical data were relevant for the calculation of performance indicators but there were no processes in place that linked such information with other similar pieces of information outside of the department in order to use it as technical information at program level.

While financial data can be collected periodically or at any time if requested, the logic behind the frequency or reoccurrence of collection of technical data is missing and not clearly stated anywhere in internal documents of municipalities.

Data and indicators need to be understood: Even though municipalities have gone through efforts to identify performance indicators and measurement unit specification, the municipalities need to understand the purpose of measuring what they are measuring and how the data are recorded to fulfil that purpose.

When we observe the compilation of performance indicators, especially the ones

that do not reflect products or inputs have very vague formulations, for instance: increase of the quality of the service provided by the municipality, while the value of performance indicator is reported 100%.

Definitions and Metadata need to be in-place to avoid errors and ensure reliability:

We have noticed different values reported for the same data. The difference is also observed between the data reported from municipality department and the service delivery unit (in the case when the service is outsourced). In the case of education related programs, examples of entities that report the same data differently vary from directory of education programs within the municipality and the school; kindergarten, nursery, education economic agency, DAR (Regional Education Office); and finally, the Line Ministry (Ministry of Education and Science).

The above observations bring us to the conclusion that more needs to be done to ensure the quality and quantity of non financial information.

5. Communication Aspects

Besides content, formal aspects of communication matter to make reports powerful for the reader. With the BEMR, the local government of each unit reports downwards and upwards, downwards to the municipal council and to the local citizens, and upwards to central government. Therefore, the report recipients are manifold, not all of them have a profound PFM understanding. This has to be taken into consideration when drafting the BEMR; the information transmitted in this report should be presented in a way that can be understood and absorbed by the target recipients and rise their interest.

Presentation of financial information in a reader-friendly way is a challenge. There is a risk of overwhelming readers with too much too detailed information without telling the story behind the figures. In most cases, the official BEMR were not prepared in a reader-friendly way. For that reason, a bigger part of municipalities, 37 in total, were assisted to prepare a more reader-friendly version of the BEMR. They are designed to facilitate understanding and discussion by local stakeholders and still show the true picture in a comprehensive way.

Reader-friendly reports should fulfil the following ten criteria:

- (1) Absorbable report length
- (2) Clarity of reporting structure/outline
- (3) Conciseness, avoiding redundancy
- (4) Frank and honest analysis, fact-based statements
- (5) Language clear and easy to understand
- (6) Adequate and well-prepared infographics and tables (type, titles, description of axes or columns, clarity and information dose, etc.)
- (7) Telling the story behind the infographics and tables, figures
- (8) Information on financial trends with clear action points to take forward
- (9) Information on performance achievements with clear action points to take forward
- (10) Consideration of challenges of municipality

This National Report on Performance Monitoring at Local Level does not directly assess the reader-friendliness of the BEMR, neither for the original ones nor for the ones with improved reader-friendliness. It might be useful to highlight this particular aspect in future reports.

Progress from monitoring report to performance report, 37 municipalities featured.

Municipal staff in 37 municipalities was assisted to create a user-friendly version of the BEMR: the Performance Report 2018. Municipalities focused on narrating their budget expenditures in a more structured and friendly way. Performance elements were also introduced in many budget programs. These reports have the Monitoring Report as their starting point. Municipalities were assisted and encouraged to engage data and documents used for other purposes to meet the legal expectation for reporting. Some of the improvements in reporting that followed as a result are listed below:

Monitoring Report - 2 more municipalities, (from 54) have a format that reports budget spending.

Expenditures by Economic Classification - 16 more municipalities, (from 33) have a full breakdown of expenditures by economic municipality as foreseen in Annex 2.

List of Main Investment - 20 more municipalities (from 28 municipalities) have included the list of the investments in a format that reports budget spending.

Performance Elements - 33 more municipalities (from 6) have included performance elements in a format that reports budget spending.

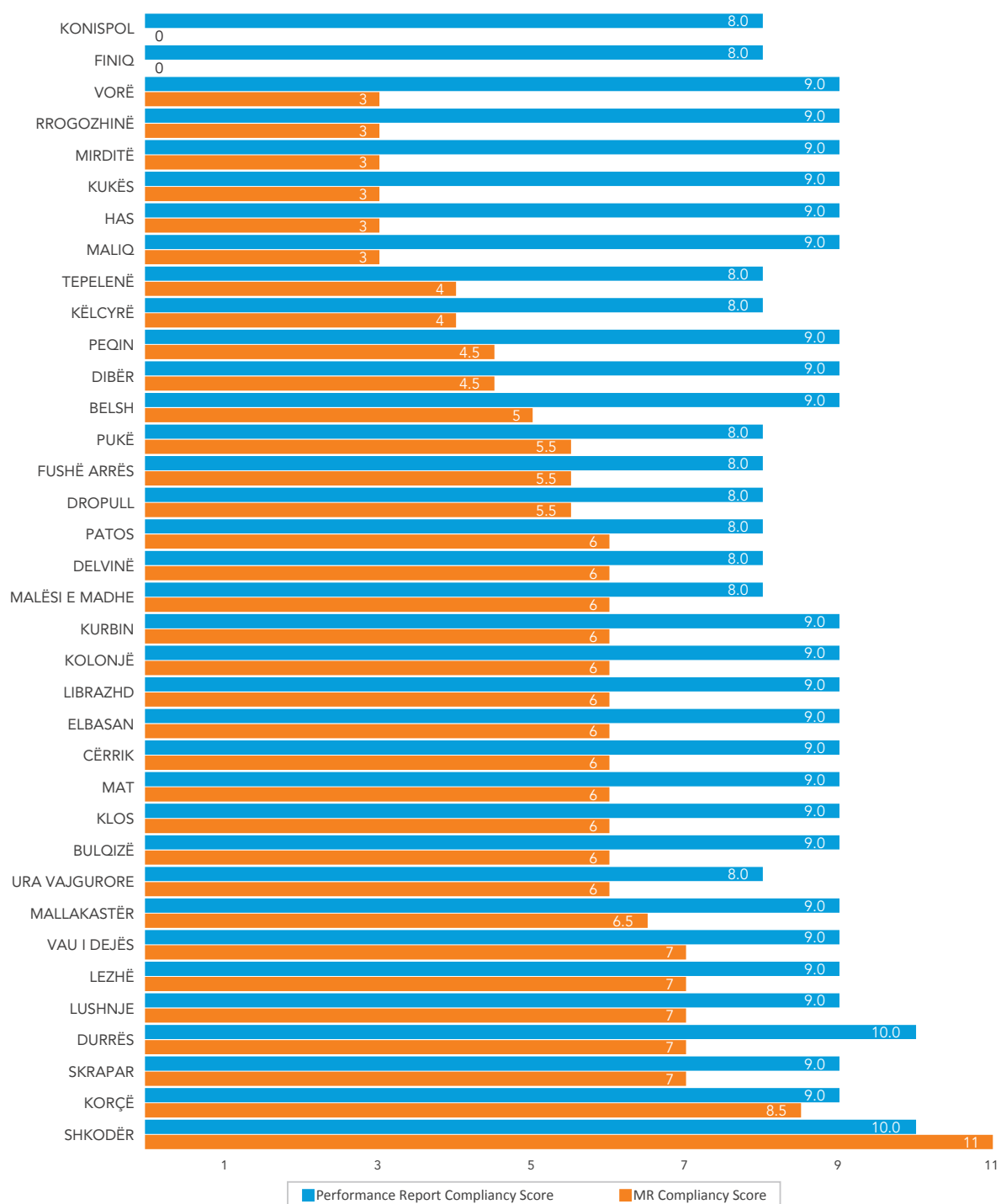
Revenue By Source - 14 more municipalities (from 33), report revenues by source.

The graph below shows the path of progress of assisted municipalities, from the Monitoring Report. Many municipalities were capacitated to meet most legal requirement foreseen in the Standard Instruction on Monitoring and Reporting. Some aspects such as reporting in the same programs as in the MTBP could not be recuperated after the fact.

Municipalities were also attentive to the aspects of user-friendliness highlighted above. By complying better with the legal requirements, the performance reports produced in respective municipalities contributed to increased transparency related to budget spending's in these municipalities.

The increased transparency was achieved in two ways 1) by improving content and format to meet user-friendly criteria mentioned above and 2) by making the produced material visible to the community by means of different communication channels; media, social platforms, debates. Most of the assisted municipalities have officially published this product on their websites or social media channels. 14 municipalities featured the performance reports in dedicated events, during which administration reported on 2018 achievements accomplished by the budget spending. Performance Reports served as the basis of the discussion between administration, council, groups of interest and citizens.

Graphic 1. Improvement of the Compliancy Score as a result of the Friendly Format “Performance Report 2018”



6. Conclusions and Recommendations

The Public Finance Management Reform is a long and continuing process also at the local level. The first performance monitoring report at the local level provides a snapshot of the reporting situation and compliancy with the legal requirements during 2018. The report shows that a lot needs to be done still, in relation to the quality of the budget execution and monitoring at the local level. The report results confirm that the majority of the municipalities have produced a monitoring report, fulfilling the legal requirements to a certain extent. On the other hand a few municipalities that were fully compliant were identified, which goes to show that the legal requirements are achievable.

It is crucial that improved monitoring reports are available for all groups of interest in order to allow for the informed decision making during the budget process. Consolidation

of the financial management is a continuous process which carries the following challenges:

- Improvement of the fiscal discipline at the local level through implementation of legal framework, processes and procedures related to budget planning, execution and monitoring, aiming at the prevention of arrears
- Efficient planning and budgeting of public expenditures at the local level, aiming the effective allocation of resources
- Improvement of monitoring reports, focusing on reporting format standardization and the use of performance indicators for every budget program
- Improvement of the monitoring and analytical skills of the LSGUs to be able to identify potential problems in due time
- Improvement of the methodology of analysis and budget performance monitoring of LSGUs
- Strengthening of the strategic planning and its correlation to the budget process
- Effective and transparent management of local revenue as an important means of increase of public services

- Definition of rules for the management of financial distress situation as an important form of evaluation of the LSGUs
- Improvement of forecast, effectiveness and transparency of the intergovernmental transfers as an important form of fiscal consolidation

The report identifies that many municipalities still struggle to comply with all legal requirement for BEMR. Main findings and recommendations that can serve as a roadmap of improvement are listed below:

1) Program Structure in not always the same as the legal definition: In some cases activities/expenditures are not attributed to the right program or in other cases the BEMR uses a program structure that is different from the one used during the planning

Recommendations

- Program structure and descriptions should be in line with legal definition provided in the standard instruction

2) In some cases the format of expenditure by economic classification is missing

Recommendations

- LSGUs need to fill the format of expenditures by economic classification, in line with requirements stated in the standard instruction (annex 2)

- MOFE will identify cases of non-compliance and ensure the filling of this format, during the process of review and drafting of recommendations to LSGUs

3) Financial information related to investment projects is missing: only 46% of BEMRs include the required information on investment projects. Lack of this information constitutes a transparency limitation related to public services accomplished by the LSGUs.

Recommendations

- MOFE will emphasise the importance of detailed and analytical information related to new and ongoing investment projects, as well as identification of priority projects, during the process of review and drafting of recommendations to LSGUs
- BEMR must include detailed argumentation on reasons of non-execution of investment projects and analysis of the impact of the executed projects

4) Information on revenue collection by source is missing: Around 50% of the municipalities provide the revenue information by source. A more detailed information on revenue collection vs. plan and the provision of such information to the council is crucial for the purpose of reporting to municipal council as well as a mean for better fiscal discipline

of the LSGU. It is observed that the standard instruction does not include detail on this aspect.

Recommendations

- Inclusion of formats of reporting on revenue collection in the standard instruction
- Trainings organised by MOFE to enhance the understanding of the new format

5) Financial Indicators are missing: Only 12 municipalities out of 61 have reported their financial indicators.

Recommendations

- MOFE must take necessary measures for financial indicators to be included in the BEMRs according to legal requirements
- MOFE will offer continuous assistance for all LSGUs related to the understanding and calculation of financial ratios/indicators.

6) Changes to the original budget-explanations on budget modifications made during the year are missing: In the BEMRs, information related to budget modification applied along the year of execution, are often missing. Reasons of modifications are also missing. This

information would be valuable to understand issues on budget execution and in order to better forecast for next year

Recommendations

- MOFE needs to create legal mechanisms that make possible the reporting of budget modifications in compliancy with legal requirements by LSGUs.

7) Use of performance indicators from LSGUs at initial phase: Only 8 out of 61 municipalities have provided information on performance indicators. The use of performance indicators is more obvious along programs with more visible achievements/ results. The observation of the BEMRs from MOFE, points out the necessity of databases and mechanisms of data collection as a precondition for the presence of performance indicators that measure the impact of the expenditures for the citizen. Performance results as reported in 2018 BEMRs, are considered insufficient in the majority of the municipalities.

Recommendations

- Analysis of the approved methodology and technical assistance offered by MOFE to LSGUs related to correct use and analysis of performance indicators
- MOFE promotion of best practices and positive examples of correct and efficient use of performance indicators at the local level

- Capacity building from the MOFE for a better performance management and a unified approach towards use of indicators at the local level
- MOFE will coordinate and monitor the process of database creation from LSGUs for the collection of performance related data. It will provide support with the provision of examples on efficient design and use of performance indicators related to monitoring of national standards
- Internal control for the improvement of quality and reliability of data
- Monitoring from MOFE of the implementation from LSGUs of the approved methodology of budget execution monitoring as stated in the standard instruction
- Parts of the reports must include information on gender budgeting, objectives and goals achievements

related to gender budgeting and their further representation by means of performance indicators

- Trainings related to the understanding of the BEMR by the legislative body and policy making representatives (Mayor/DP mayor / Municipal Council)

Ministry of Finance and Economy/ Directory of Local Finances, in compliance with legal and sublegal regulating public finance management, will provide methodological and practical support, aiming better implementation of the budget execution monitoring and reporting related processes

At the same time, in consideration of all above mentioned MOFE will remain open to the possibility of a dedicated fund that would support LSGUs with higher performance in provision of services and overall public finance management at the local level.

