

**LAW
ON LOCAL PUBLIC FINANCE**

The Parliament shall pass this organic law

**CHAPTER I
General Provisions**

Article 1. Terms

The following terms shall be used under this law:

Local public finances - a component part of the national budget.

Administrative-territorial unit budget- budgets of villages (communes), cities, municipalities, judets, autonomous territorial unit and Chisinau Municipality.

Budget balance - the balance between the budget revenues and expenditures.

Budget deficit - budget expenses exceeding budget revenues.

Budget surplus - budget revenues exceeding budget expenses.

Transfers – financial resources allocated with final claim and absolute amount as provided by law, from the state budget to the judets budgets, to the budgets of the autonomous territorial unit and Chisinau municipality or from the corresponding budgets to the local budgets for the purpose of performing the established state functions or financing the activities performed by local governments receiving the transfers.

Shared state revenues normatives - normatives in percentage of shared state revenues for administrative-territorial units approved by the Parliament through the annual budget law or in the case of the local budgets by the judets, the autonomous territorial unit and Chisinau Municipality councils.

Loans- money lent on condition that is repaid on the due dates and usually the borrower pays the lender an interest rate, as provided by law.

Stocks and shares of the administrative territorial units - short or long term loan agreements in national currency entered between the judets authorities, the autonomous territorial unit and Chisinau Municipality as borrowers (beneficiary) and physical or legal persons as creditors.

Spending units (budget executors)- legal entities with the right to incur expenditures for the actions approved under the annual budget through the Treasuries.

Article 2. Local Public Finances

- (1) The local public finances constitute an integral part of the state public finance system and shall include the following:
 - a) the judets budgets that include the total amount of revenues and expenditures for each judets and comprise the following:
 - the judets budget made of revenues and expenses needed to fulfil the functions assigned to the entire judets or the functions delegated by the Government;
 - the local budgets consist of the budgets of the villages (communes), cities and municipalities with a legal status within the same administrative territorial unit;
 - b) the budget of the autonomous territorial unit consists of:
 - the central budget of the autonomous territorial unit that comprises the total amount of revenues and expenditures needed to perform general functions in the whole autonomous territory or the tasks delegated by the central government;
 - the local budgets of the autonomous territorial unit are the budgets of the villages (communes), cities and municipalities located within in the corresponding region;
 - c) the budget of the Chisinau Municipality consists of:
 - municipal budget that includes the total amount of revenues and expenditures collected and spent in Chisinau municipality needed to fulfil the functions assigned to Chisinau municipality or the functions delegated by the Government.
 - budgets of the villages (communes) and cities located in the suburbs of Chisinau municipality;
 - d) the extra-budgetary funds of the administrative-territorial units.
- (2) The budgets listed in paragraph (1) of this article are independent components, and shall be developed, approved and implemented under the terms of financial autonomy as provided by this law.
- (3) The budget of each administrative-territorial unit shall include the budgets of public institutions located in that area and funded by the corresponding administrative-territorial unit.

Article 3. Revenues of the administrative-territorial unit budgets

- (1) The revenues of the administrative-territorial units budget consist of taxes, fees and other collections specified by law, which are divided into:
 - a) Own-source budget revenues of administrative-territorial units that consist of local taxes and fees collected in whole and directly to these budgets;
 - b) Special resources from paid services, works or any other activities performed by the budget institutions;
 - c) Transfers from shared state revenues established under the annual budget law that should be not less than provided under article 4, paragraph (2): b) of this law.

The Councils of judets, autonomous territorial unit, Chisinau municipality shall establish these normatives annually in the case of the local budgets:

- d) Transfers from the state budget to the judets, autonomous territorial unit, Chisinau municipality budget or from the budget of judets, the central budget of the autonomous territorial unit and the municipal budget to the local budgets .
- (2) The budget revenues at any level shall not include loans provided from the state budget or from another budget, as well as loans from the banking system.

Article 4. Sharing revenues between administrative-territorial units budgets:

- (1) The revenues of the local budgets (villages, communes, cities and municipalities) shall be generated from:
- a) transfers in whole of the following types of taxes, fees and other revenues:
 - real estate tax;
 - land tax;
 - fee for entrepreneurial patent;
 - income received from selling apartments to citizens;
 - income from selling land;
 - local taxes and fees established by local councils as provided by law;
 - private tax;
 - collections from sale of the confiscated property;
 - payment for release of licenses for the right to perform certain types of activities;
 - returns from leasing the local patrimony;
 - - other revenue sources collected as provided by the legislation in force;
 - b) transfers from the following types of shared state revenues:
 - VAT on goods produced and services provided on the territory of the villages, communes, cities and municipalities;
 - income tax on entrepreneurial activity performed by legal persons located within the area of the Mayor’s Office;
 - income tax on physical persons;
 - c) special resources collected from charged services provided by public institutions financed from the local budgets;
 - d) transfers from the budget of the judets, autonomous territorial unit and Chisinau municipality to the local budgets;
- (2) Budget revenues of judets, autonomous territorial unit and Chisinau municipality shall be generated from:
- a) Transfers in whole of the following:
 - income tax on physical persons;
 - tax on the use of natural resources;
 - revenues collected from capital transactions (except for state owned shares);
 - private tax;
 - collections from selling the confiscated property;
 - state fee for settling disputes in court and developing documents;
 - other revenues and returns under the legislation in force;
 - b) transfers from the following types of shared state revenues:

- income tax on entrepreneurial activity performed by legal persons located within the area of the judets, autonomous territorial unit and Chisinau Municipality - at least 50 %;
 - VAT on supplies of goods and services provided in the Republic of Moldova - at least 10%;
 - Road tax levied on vehicle owners - at least 50%.
- c) Special resources collected from charged services provided by public institutions funded from these budgets;
- d) Transfers from the state budget to the corresponding budgets;
- (3) The revenues of Chisinau Municipality are generated from:
- a) transfers in whole and directly of the following types of taxes, fees and other revenues:
- income tax on physical persons;
 - real estate tax;
 - land tax;
 - fee for entrepreneurial patent;
 - returns from capital transactions (except for state owned shares);
 - revenues from selling apartments to citizens;
 - income from land sale;
 - local taxes and fees established by the municipal council as provided by law;
 - private tax;
 - returns from selling the confiscated property;
 - state fee for settling disputes in court and developing documents;
 - tax on the use of natural resources;
 - other revenues and collections under the law;
- b) transfers from the following types of shared state revenues:
- income tax on entrepreneurial activity performed by legal persons located within Chisinau Municipality - at least 50 %;
 - VAT on supplies of goods and services provided within the municipality - at least 10%;
 - Road tax levied on vehicle owners registered at the municipality - at least 50%.
- c) Special resources from charged services provided by public institutions financed from the municipal budget;
- d) Transfers from the state budget to the municipal budget as provided by article 11 and 12 of this law;

Article 5. Special resources

The special resources received under the law from performing charged works and services by public institutions shall be fully allocated to the special Treasury account of the corresponding institution and shall be used according to the approved budgeted expenditures.

The institutions may use the special resources accrued beyond the approved budgeted expenditures only upon the approval of the corresponding public authority council.

Article 6. Budget funds deficiency

The forecasted and non-collected revenues into the administrative-territorial unit budgets and the additional budget expenditures incurred shall not be covered by another level budget.

Article 7. Surplus of budget funds

The revenues collected additionally during the budget execution process, as well as the amount resulting from cut back in expenditures shall be left at the disposal of the corresponding public authority, except for provisions of Article 11, paragraph (3):f) of this law, which are established through the annual budget law.

Article 8. Expenses

- (1) The budgets of the administrative-territorial units shall provide for budget allocations needed to ensure the functioning of public institutions and other services in the region;
- (2) The annual budget expenditures for the administrative-territorial units shall be approved solely within the limit of financial resources (revenues) available, except for the provisions under Article 15 of this law.
- (3) The expenditures approved through the budgets of the administrative-territorial units shall represent maximum limits and cannot be exceeded by the budget executors. The budget executors shall purchase goods, services and shall make payments within the limits of approved budget appropriations and by observing the legal provisions.
- (4) The Government may not force the local governments to provide new services or incur more expenditures without providing them additional revenues needed to perform these new assignments.
- (5) The councils of the administrative-territorial unit shall be responsible to establish their priority expenditures and have the right to approve within the limit of financial sources available some expenditures not provided under this law.

Article 9. Sharing competencies for incurring public expenditures

- (1) The competencies for funding public expenditures shall be shared between budgets of administrative-territorial units based on the Law local public administration.
- (2) The local budgets (the village, commune, city and municipal budgets) shall finance the expenditures related to:
 - a) territorial development;
 - b) construction and maintenance of roads, streets, bridges, public places, street lights within the community area;
 - c) financing the following public institutions:
 - pre-school institutions;
 - primary schools;
 - secondary schools, gymnasiums, ;
 - evening and correspondence (GED) secondary schools ;

- other educational institutions designed for the respective community members;
 - youth activities, sports;
 - community centers, libraries and other institutions of culture;
 - medical centers;
 - salvage centers and services;
 - in-house social assistance sections;
 - tutor and payment of allowances and nominative compensations;
 - Mayor’s office and central accounting unit;
 - Other institutions and other related activities to assure the good functioning in the region;
- (3) The judets budget and the central budget of the autonomous territorial unit shall finance the following expenditures:
- a) Construction and maintenance of judets (municipal) roads;
 - b) Construction of public assets for judets (municipal) purposes;
 - c) Support the following public institutions:
 - Municipal internal affairs agencies;
 - Fire brigade and salvage service;
 - Lyceums;
 - Boarding secondary schools (boarding gymnasiums and lyceums);
 - Special boarding schools;
 - Vocational professional schools;
 - Vocational schools;
 - Music, drawing and art schools;
 - Museums, exhibitions, theatres and other cultural-educational institutions activities;
 - Institutions and social assistance activities;
 - Institutions and activities related to off-school activities and didactic actions in the educational area.
 - Medical-sanitation institutions and activities not including the medical centers;
 - Center for animal diseases;
 - The judets council office with all its divisions (education, culture, healthcare, finance, economy, agriculture, social assistance).
- (4) The Chisinau municipality budget shall finance the expenditures related to:
- a) territorial development;
 - b) construction and maintenance of roads, streets, bridges, public places, street lights within the community area;
 - c) construction of public assets for municipal purposes, the expenditures of which shall be assigned to the state capital investment program;
 - d) finance the following public institutions:
 - Municipal internal affairs agencies;
 - Fire brigade and salvage service;
 - Preschool institutions;
 - Primary schools;
 - Secondary schools, gymnasiums;
 - Lyceums;

- Evening and correspondence (GED) secondary schools ;
 - Boarding secondary schools (boarding gymnasiums and lyceums);
 - Special boarding schools;
 - Vocational professional schools;
 - Vocational schools;
 - Music, drawing and art schools;
 - Other education institutions designed for the community members;
 - Youth activities, sports;
 - Community centers, libraries and other institutions of culture;
 - Museums, exhibitions, theatres and other cultural-educational institutions and activities;
 - Medical-sanitation institutions and activities;
 - Salvage centers and services;
 - Social assistance institutions and activities;
 - Tutor and payment of allowances and nominative compensations;
 - The Office of the Municipal Council and its divisions;
 - Other institutions and related activities to assure the good functioning in the region;
- (5) The local councils may decide to finance jointly some works and services of common interest within the resources available.

Article 10. Transfers

The following transfers- from the state budget to the budget of the administrative territorial unit, judets and Chisinau municipality budgets- shall be established for the purpose of assuring the administrative territorial unit budget balance through the annual budget law:

- a) Transfers from the financial support fund of the territories – transfers to equalize the financial possibilities of territories.
- b) Special allocation – transfers to finance some competencies (activities) assigned to public authorities in the region by the Government or for other special purposes.

Article 11. System of financial support of territories

- (1) The fund of financial support of territories shall include:
 - a) Annual allocations approved under the state budget;
 - b) Allocations of administrative territorial unit revenues made by local governments to this fund whose revenues are in excess by 20% of its per capita expenditure average normative.
- (2) Transfers shall be established for the purpose of assuring the administrative territorial unit budget balance through the annual budget law.
- (3) The following computing method of equalizing transfers shall be established:
 - a) The average public expenditures per capita shall be estimated, as provided by article 9 of this law, for each separate expenditure group (c) to be funded by the administrative-territorial units during the next budget year according to the legal competences.

The average annual budget expenditures per capita shall be estimated annually for each expenditures group at the stage of developing the country macroeconomic forecasting for the next budget year;

- b) The readjustment coefficient of the average per capita expenditures (f) shall be applied in the case of the administrative-territorial units that incur particular expenditures as provided by law.
- c) The tax base for each administrative-territorial unit shall be estimated as provided by Art. 4 of this law, except for the local taxes and fees established by local councils under the law, as well as the special resources obtained from providing charged services and works by the public institutions and transfers from budget of another level.
- d) The revenues share per capita for each region (v) shall be calculated based on the forecasted tax base ;
- e) The difference between the average expenditures per capita ($\sum c$) for each administrative-territorial unit and the revenues share per capita in the region shall constitute the transfer amount (t) assigned per capita ($t = \sum c - v$).

The grant amount per capita multiplied by total population in the judets makes up the amount of transfers (T) to each administrative-territorial unit ($T = t \cdot n$);

- f) The territorial units whose revenues share per capita exceed the average expenditures amount per capita by 20% ($v > \text{by } 20\% \sum c$) should transfer to the fund for financial support of territories the revenues amount exceeding by 20% the minimum expenditures needs in this region.

(4) The system of financial support of the territories as provided by paragraph (2) and (3) of this article shall be also implemented in order to make transfers from the budget of judets, autonomous territorial unit and Chisinau Municipality to the local budgets.

Article 12. Special purpose transfers

(1) The state budget shall provide for special purpose transfers and the latter may be allocated to the budgets of the administrative-territorial units in case that:

- a) the Government delegates some assignments to the public authorities in the region;
- b) the lost revenues of the administrative-territorial units budgets are refunded upon rectifying the tax legislation by the Parliament;
- c) the normative acts with respect to the administrative-territorial organization are amended.
- d) other legislative or normative acts are approved whose enforcement entails additional budget funds;

(2) The special purpose funds allocated from the state budget or budgets of another level that are not used by the administrative-territorial units according to the purpose shall be transferred to the state budget or the granting budget at the end of the budget year.

If not, the Ministry of Finance or the Judets General Finance Division shall have the right to cancel based on the annual report the dedicated funds used against their purpose , through inter-budget relations.

Article 13. Budget balance

- (1) The annual budgets of the administrative-territorial units shall not be approved and executed with a budget deficit, except for capital expenses.
- (2) The local governments shall be obliged to undertake all necessary actions in order to maintain the approved budget balance.
- (3) If revenues are not collected as forecasted, then the local governments from the region shall be obliged to reduce their expenditures including the established obligations and payments, in order to close the year with a balanced budget.

Article 14. Loans falling due the same budget year provided to local governments

- (1) The judets, the municipal public authorities or the autonomous territorial unit can take loans falling due the same budget year from the state budget and the banking system upon the decision of the corresponding council.
- (2) The local governments can take loans falling due the same budget year from the judets budget, or if case may be, from the municipality budget, from the budget of the autonomous territorial unit if provided in the corresponding budgets.
- (3) The public authorities of the administrative-territorial units at any level may not take loans falling due on the same budget year exceeding the amounts they may reimburse the same budget year and in case that they previously took loans.
- (4) The overall amount of loans due on the same budget year shall not exceed 5% of the total amount of own-source budget revenues that the administrative-territorial units expect to collect during the fiscal year, when loans have been taken, upon the condition that the administrative-territorial units have revenues enabling them to meet the terms of other outstanding loans.

Article 15. Loans for capital expenditures

- (1) The councils of judets, autonomous territorial unit and Chisinau municipality shall have the right to take long-term loans for capital expenditures or to reimburse a current capital debt.
- (2) The long-term loans taken by the councils shall represent a prioritized liability to be repaid from the budget revenues available at the corresponding administrative-territorial unit as provided by the concluded agreements;
- (3) The councils of judets, autonomous territorial unit and Chisinau municipality may enter long-term loan agreements with domestic financial-banking institutions and shall have the right to issue securities as provided by the Law on securities market No- 199-XIV of November 18, 1998.
- (4) The liabilities of judets, autonomous territorial unit and Chisinau municipality for the long-term debts shall not be assumed by the Government, but these should be reimbursed solely from the budget revenues through which the loan was guaranteed.
- (5) The documents prepared when taking a long-term loan shall have a clause on the basis of which the council of judets, autonomous territorial unit and Chisinau municipality bear the responsibility to repay the principal and interest on that loan

only from the respective budget revenues; the Government or any other public authority under subordination shall not take on any loan obligations; the credibility or the taxation capacity of the Government or of any public authority under subordination shall not guarantee the reimbursement of the debt taken by the corresponding administrative-territorial unit. These agreement clauses shall be considered void on the contrary.

- (6) The councils of judets, autonomous territorial unit and Chisinau municipality shall not be given access to any type of long-term loans if the total amount of annual debts, including the short-term loans, any other debt types and loans to be taken account for more than 20% of the total forecasted annual own-source budget revenues.
- (7) Loans to be taken, as provided by this article, shall be registered obligatorily at the Ministry of Finance and shall be a mandatory condition to provide a loan. The judets councils shall keep a Public Debt Registry. This debt shall be reported in the annual financial statements.

Article 16. Reprogramming the budget funds

The councils of the administrative-territorial units shall not be entitled to reprogram the budget funds in the form of credits, securities or financial support provided to legal and physical persons, as well as for charity and sponsorship purposes.

Article 17. The reserve funds of the public administration authorities

- (1) Public administration authorities can create reserve funds in the amount of at least 2% of the corresponding budget expenses.
- (2) The regulations on using the reserve funds shall be approved by councils of the administrative-territorial units.

CHAPTER II

Budget development, approval and execution

Article 18. The development of the administrative-territorial unit budget

- (1) Each public authority of administrative-territorial units shall be responsible to develop and approve their budgets according to the single Budget Classification as provided by law.
- (2) The public authorities shall develop the administrative-territorial unit budgets in compliance with procedures established by the authorities as provided by paragraph (3) of this article.
- (3) The budgeting process for administrative-territorial units shall be handled in compliance with the following procedures:
 - a) The Ministry of Finance shall notify within the deadlines established by the Government the public authorities of judets, the autonomous territorial unit and Chisinau municipality about the main principles of state budget revenues and expenditures policy for the next year, the forecasted normatives for shared state revenues transferred to the administrative-territorial unit budgets and

certain computations of transfers to be allocated from the state budget to these budgets;

- b) Within 5 days of the date of receiving methodological instructions from the Ministry of Finance as provided by paragraph (3): a) of this article, the public authorities (General Finance Division) of the judets, of the autonomous territorial unit and Chisinau Municipality shall notify by June 15 the village, commune, city, municipal public authorities about the main principles of state budget revenues and expenditures policy for the next year, the forecasted shared state revenues normative transferred to the village, commune, city and municipal budgets and certain computations of transfers to be allocated to these budgets from the budget of judets, autonomous territorial unit and Chisinau municipality;
- c) Within 20 days of the date of receiving the instructions as provided by paragraph (3): b) of this article, the village, commune and city public authorities shall develop based on the tax policy principles, the forecasting of all types of taxes and fees to be collected next year in the region, as well as the draft budget of the corresponding region to be presented to the Judets General Finance Division for review or if case may be, to the General Finance Division of the autonomous territorial unit or Chisinau Municipality;
- d) The General Finance Division from the region shall submit, within the deadlines established by the Government, to the Ministry of Finance the forecasting of all types of taxes and fees to be collected in each judets, autonomous territorial unit or Chisinau municipality.

The General Finance Divisions shall concurrently submit the draft budgets on the revenues and expenditure side to the Ministry of Finance for review grouped according to judets, autonomous territorial unit and Chisinau Municipality.

- (4) The review of judets, of autonomous territorial unit and Chisinau municipality draft budgets shall be of a consulting character only. The Ministry of Finance may not force the public authorities of the administrative-territorial units to make changes in the draft budgets, except for cases when these are in contradiction with the legal provisions, principles of the budget and tax state policy or any other specific provisions for the next budget year submitted by the Ministry of Finance to the local governments.
- (5) If the Ministry of Finance makes (well)-grounded changes in the draft budgets of the territorial-administrative units, then the respective public authorities should be notified on that within 10 days in order to carry them out.

Article 19. Review and approval of local budgets

- (1) The Mayor of the village, commune, city and municipality shall review the developed draft budget and based on a decision, shall submit it to the local council for approval by the 1st of November.
- (2) The draft local budget submitted to the local council for approval shall include the following:
 - a) Draft decision of the local council to approve the local budget;
 - b) Annexes to the draft decision regarding:
 - Revenues and expenditures estimated for the next budget year;

- Maximum number of personnel hired at institutions funded from the local budget;
 - Local fees rates;
 - Amounts of special resources to be collected by each budget institution when providing charged services and the fees for these services;
- c) other additional data as required by the local council;
- d) explanatory note to the draft local budget;
- (3) The local council shall review the draft local budget in two readings at five-day interval at maximum. The decisions on the local budget shall be taken by at least 2/3 vote of elected council members by December 10 of each year.

Article 20. Review and approval of judets, autonomous territorial unit and Chisinau municipality budgets

- (1) The permanent office of the Judets Council or executive authority of the autonomous territorial unit shall review the judets draft budget or the draft budget of the autonomous territorial unit by November 15 at a special meeting and shall submit it to the corresponding council for approval based on a decision.
- (2) The Chisinau Municipality Mayor's office shall review the draft municipal budget by November 15 at a special meeting and shall submit it to the corresponding council for approval based on a decision.
- (3) The draft judets budgets, the central draft budget of the autonomous territorial unit and the Chisinau municipal draft budget submitted to the corresponding councils for approval shall include the following:
- a) Draft decision of the local council to approve the budget of judets, the central budget of the autonomous territorial unit, the municipal budget, as case may be;
 - b) Annexes to the draft decision regarding :
 - Revenues and expenditures estimates for the budget of judets, central budget of autonomous territorial unit and the municipal one for the next budget year;
 - Local taxes to be collected in the respective budget;
 - Normative for shared state revenues to local budgets;
 - Transfers from the judets budget, central budget of the autonomous territorial unit or municipal budget to the local budgets of the corresponding region;
 - Maximum number of personnel employed at public institutions financed from the judets budget, from central budget of the autonomous territorial unit or from the municipal budget, as the case may be;
 - Special resources obtained from providing charged services to be collected by each institution funded from the judets budget, from central budget of the autonomous territorial unit or from the municipal budget, as well as fees for providing these services;
 - c) other additional data as required by the corresponding council;
 - d) explanatory note to the draft budget;
- (4) The councils of the judets, autonomous territorial unit and Chisinau municipality shall review the draft budget in two readings.
- (5) At the first reading, the council shall listen to the report made by the council Chairman on the draft budget and shall review and approve the total amount of budget revenues and expenditures, local taxes rates to be collected in the

- corresponding budget, fees for charged services rendered by the budget institutions;
- (6) The council shall approve the budget at the first reading and shall submit it to the permanent office or as case may be, to the Chisinau municipality Mayor's office to be prepared for the second reading review;
 - (7) At the second reading the council shall review and approve:
 - a) Revenues estimates computed and structured;
 - b) Expenditures estimates, their structure and purpose;
 - c) The need to make capital expenditures and sources to finance these expenses;
 - d) Shall establish first priority allocations and the maximum number of employees at the public institutions financed from the budget;
 - e) Shall review other details for the next year budget.
 - (8) The council of judets, of the autonomous territorial unit and Chisinau municipality shall approve the budgets by December 20.

Article 21. Publication of the administrative-territorial units budgets

The budgets of the administrative-territorial units approved by the corresponding councils and the amendments to those budgets shall be published obligatorily.

Article 22. Non-approval of the administrative-territorial budgets

If the administrative and territorial unit budget did not come into effect by December 31, the expenditures will be funded on a monthly basis in the amount of 1/12 of total expenditures, according to the budget classification provided for the previous budget year.

Article 23. Correlation of the administrative-territorial unit budget with the annual budget law

The local, judets, autonomous territorial unit and Chisinau Municipality councils shall review the approved budgets within 15 days after the Parliament approves the annual budget law, in order to correlate them with the provisions of the annual budget law.

Article 24 Monthly apportionment of budget revenues and expenditures of the administrative-territorial units

- (1) The central accounting unit of the Mayor's Office shall require, within 10 working days from the approval of local budgets, all public institutions funded from the local budgets to provide suggestions regarding monthly appropriations approved in the budget of the corresponding institutions and the revenues from providing charged services
- (2) The Mayor shall approve by December 20 the monthly apportionment of Mayor's Office revenues and expenditures according to the Budget Classification.
- (3) Within 10 days after the approval of the budget of judets, autonomous territorial unit and Chisinau municipality budget, the General Finance Division from the region shall:
 - a) request the public institutions financed from the judets, central or municipal budgets to provide suggestions regarding monthly allocations of revenues approved in the budget of the corresponding institution and revenues of the public institutions generated from charged services;
 - b) prepare monthly allocations of revenues forecasted to be collected in the

- judets, autonomous territorial unit and Chisinau Municipality budgets;
- c) prepare monthly grant allocations to the local budget envisaged in the judets, autonomous territorial unit and Chisinau Municipality budgets;
- (4) The permanent office of the corresponding council or if case may, the Chisinau municipality Mayor's Office shall approve the monthly allocations of the corresponding budget revenues and expenditures by December 30.
- (5) Each Mayor's Office shall submit by December 30 the monthly local budget revenues and expenditures allocations to the General Finance Division as provided by the Budget Classification.
- (6) The General Finance Division shall compute the overall monthly distribution of revenues and expenditures of the judets, autonomous territorial unit and Chisinau municipality budgets based on the monthly distribution provided by public authorities from the region and these shall be submitted to the Ministry of Finance by January 15.

Article 25. Submission of approved budgets

- (1) The local governments shall submit an authorized copy of the approved local budgets to the General Finance Division as soon as these are approved.
- (2) The General Finance Division shall submit to the Ministry of Finance the consolidated budget of the judets, the autonomous territorial unit and Chisinau Municipality to be included in the state consolidated budget within the deadlines established by the Ministry of Finance.

Article 26. Rectifying the administrative-territorial unit budgets

- (1) The executive authorities of administrative and territorial units shall make suggestions when needed to the corresponding councils on the rectification of the approved budgets.
- (2) The rectified budget may be adopted only if the budget balance is maintained.
- (3) The councils of the administrative-territorial units may rectify the budgets in the case that;
- a) changes were made in the collection of local taxes and fees;
 - b) the expenditures needs approved in the budget have decreased ;
 - c) there are expenditure needs not approved in the budget;
- (4) The loan resources provided for more than one year, the state budget funds granted through special purpose transfers during the budget year and the revenues collected in these budgets exceeding the annual forecasting shall make up the source to rectify the administrative-territorial units budgets. .

CHAPTER III

Execution of the administrative and territorial unit budgets

Article 27 Cash execution of territorial and administrative unit budgets

- (1) The cash execution of administrative- territorial unit budgets shall be performed under separate accounts through the Regional Treasury Office: :
- a) budget revenues according to the budget classification structure;
 - b) expenditures within the limit of the approved budget allocations and according to the purpose established for each budget executor at any level.;
 - c) other financial operations performed by the budget executors.
- (2) The Treasury system through which the cash execution of administrative-

territorial unit budgets is performed and the operation regulations among all budget layers shall comprise the following levels;

- *Central Treasury* – allocates , pursuant to the annual Budget Law, transfers from the state budget to judets budgets, the central budget of autonomous territorial unit and Chisinau municipality, as well as transfers to these budgets from the shared state revenues;

- *Regional Treasury*;

- Shall allocate transfers based on the judets council decision or the territorial autonomous unit, from the budget of judets or, the territorial autonomous unit to the local budgets, as well as shared state revenues allocated to these budgets according to the approved normative acts;
- supports the execution of public institution budgets financed from the judets budget or the autonomous territorial unit budget;
- supports the execution of village, commune, town and municipality budgets and public institutions funded by these budgets and located nearby the Regional Treasury;

- *Chisinau Municipality Treasury*;

- allocates transfers from the municipal budget to local budgets based on the municipal council decision, as well as shared state revenues granted to these budgets;
- supports the execution of public institution budgets financed from the municipal budget, as well as the budgets of villages, communes and towns located in the Chisinau municipality area;

- (3) All accounts for managing the administrative-territorial unit revenues and expenditures, as well as for managing the public institution budgets may be opened only at the Regional Treasuries in the corresponding territorial units.
- (4) The budget execution methodology for the administrative-territorial units through the Treasury system shall be approved by the Ministry of Finance in full agreement with the National Bank of Moldova, according to the Regulations on Central Treasury Operations and as provided by this law.

Article 28 Report on the execution of administrative-territorial unit budgets

- (1) The executive authorities of administrative and territorial units (centralized accounting units of mayor's offices, regional treasuries and General Finance Divisions) shall prepare the monthly, quarterly and annual reports on the execution of approved budgets.
- (2) The quarterly reports shall be reviewed and approved by the Mayor or by the permanent office of the corresponding council if need may be.
- (3) The report on the execution of the administrative-territorial unit budget during the first quarter and 9 months of the current year shall be reviewed and approved by the corresponding council.
- (4) The annual report on the execution of administrative and territorial unit budget shall be submitted for approval to the corresponding council by the executive authority of the territory no later than February 1 of the next year.
- (5) The General Finance Division shall submit within the deadlines established by the Ministry of Finance the monthly, quarterly and annual reports on the execution of administrative-territorial unit budgets to the Ministry of Finance, for the purpose of incorporating them into the state consolidated budget.

CHAPTER IV
Rights and responsibilities of spending units (budget executors)

Article 29. Statute of the spending units (budget executors)

- (1) The primary spending units of administrative- territorial unit budgets are the mayors of villages, communes, towns, municipalities, chairmen of Judets councils, the Governor of the autonomous territorial unit, the Mayor of Chisinau municipality.
- (2) The secondary spending units are administrators of institutions that are legal entities under the subordination of judets councils, the council of the territorial autonomous unit and Chisinau municipality.
- (3) The tertiary spending units are managers of public institutions without a legal person statute that are authorized to use financial resources allocated only for the agency needs run by them.

Article 30. The rights of the spending units (budget executors)

- (1) The primary spending units shall distribute budget allocations approved in the corresponding budgets, to the spending units under their subordination according to their objectives stipulated in the corresponding budgets and shall approve the expenditures from their own source budget in compliance with the legal provisions.
- (2) The secondary spending units shall distribute the budget allocations approved for the subordinated units headed by the tertiary spending units and shall approve the expenditures from their own budgets in compliance with the legal provisions.
- (3) The tertiary spending units shall use the budget allocations distributed to them only for the agency needs managed by them, as provided under the approved budgets and under the terms established by legal provisions.
- (4) The spending units shall be obliged to allocate and use the budget funds only within the limits of the provisions and for the approved purposes, for expenditures strictly related to the activity of the respective public institutions or services and in compliance with the legal provisions.

Article 31 Responsibilities of the spending units (budget executors)

- (1) The primary, secondary and tertiary spending units shall be responsible to:
 - a) develop the draft budgets;
 - b) monitor the revenues collection procedures;
 - c) observe the necessity, timeliness and legality of allocation and the use of budget funds within the limits and for the purposes approved in the budget;
 - d) the good use of assets under their administration;
 - e) the primary and the secondary spending units shall be responsible to manage the accounts and timely submit the balances, financial statements, and budget execution reports.
- (2) The spending units shall pass the enlisted and incurred expenditures approved in the budget and shall make them only upon the preliminary approval of internal financial control certifying the compliance with the legal provisions, matching with the approved budget allocations and their destination.

Article 32 Justifying the budget expenditures

The budget expenditures shall be made only based on support documents certifying the contractual commitment, supply of goods and service, performance of works, payment of wages and other royalties, payment of budget and other liabilities.

Article 33. Prioritization of budget expenditures

The primary spending units shall be obliged to ensure the priority funding to public educational institutions.

CHAPTER V

Responsibilities and control over the process of administrative-territorial unit budget execution

Article 34. Responsibilities of the administrative-territorial units for budget execution

- (1) The responsibility to execute the local budgets shall be taken on by the Mayor of the corresponding Mayor's Office;
- (2) The responsibility to execute the budget of the judets and of the autonomous territorial unit shall be taken on by the corresponding council permanent office;
- (3) The responsibility to execute the Chisinau municipality budget shall be taken on by Chisinau municipality Mayor's office;
- (4) The executive authorities of the administrative-territorial units shall be responsible for:
 - Accuracy and validity of developed budgets;
 - Ensure full and timely collection of own-source revenues;
 - Use the approved budget allocations according to the purpose;
 - Compliance with the payment terms of salaries to state agencies employees and other contracted goods and services, according to the approved budgets;
- (5) The managers of public institutions shall be responsible for the compliance with the budgetary allocation limits approved in the budgeted expenditures;
- (6) If a public institution incurred expenditures that are not approved in the budget, the executive authorities of the administrative-territorial units shall have the right to stop funding the expenses that are not financially supported.

Article 35. Financial control

(1) The financial control over the accuracy of execution of administrative-territorial unit budgets shall be performed by the finance and tax subdivisions of the territory, the Ministry of Finance and the Department of Financial Control and Audit.

(2) The financial activity of local governments shall be inspected solely by the Department of Financial Control and Audit as provided by this article and in the following cases:

- (5) a) The local governments do not repay all of its short-term liabilities by the end

of the budget year the loans were taken; if the temporary loans taken by local governments exceed during the budget year the established ceiling provided under article 14, paragraph (4).

- b) The Department of Financial Control and Audit shall require that local governments under the circumstances described in paragraph (2) develop and submit a recovery plan under which they commit themselves within 12 months to the provisions of Art. 14, paragraph (4).

CHAPTER VI Extra-budgetary funds

Article 36. Extra-budgetary funds of administrative and territorial units

- (1) The councils of administrative and territorial units may set up extra-budgetary funds for the support of some programs of territorial interest under the law.
- (2) The sources to create the extra-budgetary funds shall be the following:
 - a) Voluntary donations of economic agents and citizens aimed at solving problems of common interest;
 - b) Revenues from conducting local lotteries, competitions, etc.
- (3) The councils of the respective administrative and territorial units shall approve sources for the creation of extra-budgetary funds and the purpose of their use.

CHAPTER VIII Final provisions

Article 37. Enforcement of the present Law

This law shall come into effect on January 1, 2000, except for the provisions under article 18 that shall be effective beginning with the 2001 budget process; article 27 shall come into effect during the year of 2000.

Article 38. Adjustment of legislation in conformity with this law

The Government shall do the following within two months after this law is approved:

- a) Present to the Parliament proposals regarding bringing in conformity the legislation with this law.
- b) Correlate the normative acts in compliance with this law.

Chairman of Parliament