

**A MODEL OF RULES OF PROCEDURE
APPLICABLE TO BUDGET NEGOTIATIONS BETWEEN THE ASSOCIATION OF MUNICIPALITIES AND
THE MINISTRY OF FINANCE**

Introduction

The procedural rules of budget negotiating between the National Association of Municipalities (LGA – Local Government Association) and the Ministry of Finance are an extremely significant tool in achieving objectives and protection of municipal interest in the course of drafting the annual state budget act and draft municipal budgets.

We might say that the outcome of such negotiations is the criterion to measure the ability of the Association to defend their members and the willingness of the government to listen to what municipalities have to say.

Ever so often the practice of budget negotiations suffers from certain deficiencies related to:

- the **criteria** applied to determine the pattern of state transfer distribution among municipalities are presented rather vaguely and are lacking in transparency;
- insufficient **time** to discuss existing issues and define adequate measures to solve them;
- the Ministry of Finance proposes solutions to a specific problem **without discussing** these within the framework of other measures and probable consequences;
- the **regulatory framework** on municipal finances is frequently changed or amended;
- the **financial data base** of the Association of municipalities is out of date or is incomplete;
- lack of means for **information exchange**.

Therefore, it is imperative that: permanent procedural rules, based on clearly defined principles, are approved and adopted; opportunities should be sought after to define the powers of the association to participate in budget negotiations pursuant to permanent legislative acts; precise designation of participants in bilateral talks; ensuring of all relevant information and time schedules of budget negotiations. The Association of municipalities will certainly benefit if assistance from independent experts is sought after and obtained (experts that are not directly involved in municipal work or with the central executive power), from international organizations and NGOs when drafting proposals for legal amendments, monitoring reports on results, training of staff, etc.

It is equally important that the **Association establishes and adheres to a practice where common position is established following previous discussions, seeking of consensus** to overcome conflicting interest between municipalities of diverse scales. It is important that the entire process involves the participation of a wide range of experts and elected representatives of local governance, efficient interaction with ministries and governmental offices is maintained and the indispensable assistance of the parliamentary lobby and representatives of civil society is sought.

I. An example structure of procedural rules

1. Principles of negotiating

- ✓ Mutual trust and respect;
- ✓ Equality;
- ✓ Transparency and publicity;
- ✓ Making commitments that correspond to the powers and actual capacity of central and local authorities;
- ✓ Disbursement of funds from the state budget to the municipalities should be exercised under efficient and transparent mechanisms.

2. Subject of negotiations

- ✓ Municipal draft budget at national level. Total revenues, allocation by type and by municipalities. Total expenditure, allocation of expenses by type and by municipalities.
- ✓ Distribution of responsibilities of public services funding between the state and the municipalities;
- ✓ State transfers to municipalities – amounts, criteria and mechanisms for allocation of funds among municipalities;
- ✓ Powers of local authorities to manage intergovernmental transfers;
- ✓ Provision of financing to back up legally delegated responsibilities to municipalities;
- ✓ Regulations specific to municipalities during the budget year;
- ✓ Other issues to be defined by mutual agreement, for example, growth of local taxes.

3. Useful information for negotiation purposes

3.1. The Ministry of Finances shall provide:

- ✓ Updated three-year forecast and macroeconomic framework;
- ✓ Legislative acts (or drafts thereof), introducing changes to the revenue and expense items of municipal budgets;
- ✓ Budget instructions to municipalities as to how budgets should be constituted;
- ✓ Information on the amounts of state transfers and the allocation mechanism by municipalities.

3.2. The National association of municipalities shall provide:

- ✓ Substantiated proposal on the total amount of financial relations between municipal budgets and the government budget;
- ✓ Opinion and proposals to the state budget draft bill;
- ✓ Analysis and issues related to the financial status of municipalities;
- ✓ Proposals to streamline the mechanisms of state budget transfers and disbursements;
- ✓ Issues in current execution of municipal budgets and proposals to find solutions in the event such solution presupposes that amendments are introduced into the provisions of the annual governmental budget act.

4. Participants, forms and pattern of negotiations

It is advisable that negotiations are carried out on two levels: at expert and at political levels. Expert level negotiations should precede political negotiations and should be used to prepare common position and draft solutions to be finalized at the political level meetings.

Representatives to participate at both levels are to be assigned by the Minister of Finance and the Board of Directors of the Association, respectively.

The expert team of the Association should comprise experts of recognition from municipalities, administrative staff of the Association and independent local finances experts from partnering organizations. Simultaneously with approving members of the negotiation team, the Board of Directors of the Association sets up objectives, tasks and the framework to be followed by the expert team members while negotiating with representative of the central government (the Ministry of Finance and other governmental agencies). Such tasks should ensue from documents, adopted by the Association, e. g. middle- and long-term Strategic plan; Annual activities agenda of the Association; decisions of the Board of Directors and the General meeting of municipalities on key issues of local governance development, analysis on the financial status of municipalities, forecasts on local finances development, etc.

4.1. Working Procedure of the expert team of the Association:

✓ Following the annual close of accounts for the previous budget year, the Association draws and disseminates among municipalities an Analysis on municipal budget execution. Findings and conclusions are established based on the factual content of municipal report on individual municipal budget execution. Recommendations are formulated and possibilities for changes in the forthcoming budget year are outlined. Data contained in the analysis should be used to point out deficiencies and outline general trends in municipal financial status as a whole and by groups of municipalities. Thus their attention should be drawn to existing reserves to be utilized and should assist them in formulating opinions and proposals to be used in drafting budgets for the coming budget year. It is advisable that the draft analysis is subjected to discussion at large-scale municipal meetings and conferences;

✓ Separate working groups of experts of the Association are designed: those that negotiate at expert level with the Ministry of Finance and those negotiating with other governmental agencies. Their activity is assisted and monitored by members of the Board of Directors as designated by the BoD or mayors that are professionally trained and have the expertise to deal in the respective area of negotiations;

✓ The groups of experts shall agree with the respective ministries on the required information exchange and schedules of working meetings at expert level. The tasks of such expert group are considered complete with the signing of bilateral protocols describing agreements reached, differences and proposals. Based on such protocols, the respective head of ministry shall draft and submit a report to the Finance Minister on results achieved in the expert negotiations accompanied by draft decisions;

✓ From time to time the expert team of the Association shall advise the Board of Directors, the specialized committees of the Association and the municipalities on the current status of negotiations in an appropriate form;

✓ Based on municipal proposals and negotiation outcomes with the respective ministries, the team of experts shall prepare a draft common position on all existing issues and submits it for adoption with the Board of Directors along with a plan of measures;

✓ At the completion of the budgetary procedure a working group of financial expert of the Association shall start preparing and send to the municipalities following the promulgation of the governmental budget act a Consultative paper aimed at assisting municipal councilors, mayors and municipal financial officers to draft and adopt municipal budgets for the coming financial year. The Paper shall focus on new developments in the regulatory environment; provide practical advice and instructions on budget drafting. The Consultative paper shall be of advisable nature. Every municipality shall independently prepare their own budget, choose and further develop relevant recommendations and apply them according to their individual objectives, specifics, municipal agendas and priorities. The Association shall organize training seminars for municipal financial officers jointly with the Ministry of Finance on preparation of draft municipal budgets;

4.2. Activities of the Association at the political level:

✓ The Board of Directors shall review the results from the work at the expert level and adopt a common position of the Association on the draft budget in its items related to municipalities;

✓ In the course of the budgetary procedure, the representatives of the two negotiating parties shall hold several meetings at political level. At the initial meeting, the minister of finance shall make a presentation on the major policies and priorities of the government for the forthcoming budget year and the macro indices of the state budget and in particular, the municipal budgets. At the close of the budgetary procedure one or several meetings shall be held where the two parties shall present their positions, justify their proposals, reach agreements on some of issues discussed or state differences;

✓ The budgetary negotiations of the Associations shall be finalized with the execution of a Memorandum (Protocol) listing agreements and/or differences;

It is advisable that proactive contacts with the central legislative powers are sought for preliminary discussions of cooperation proposals aimed at solving key issues of local governance that need to be resolved in the course of the forthcoming budget year. Based on the experience of the NAMRB we suggest that a National Dialogue Day between the legislative and municipal authorities is organized. This event may be held by regions and involve the participation of MPs, municipal councilors, mayors, governors, NGOs, the mass media and citizens. At such meetings the Association shall inform the MPs of the most urgent issues, of commitments municipal authorities are willing to undertake and the support expected from MPs. In the course of the meetings the Association shall seek the assistance of the MPs to support the common position and municipal proposals on the budget relations during the forthcoming year.

II. Memorandum (Protocol) on agreements and differences

Based on the negotiating experience of the NAMRB with Ministry of Finance, we recommend that a **Memorandum (Protocol)** is signed to describe **differences**, rather than agreements reached on the draft governmental budget act.

What are the reasons behind this recommendation?

- All final agreements are reflected in the draft budget act and/or in the draft governmental regulation for its application and other legislative acts;
- Focusing on differences between the Association and the Ministry of Finance in the course of the negotiations will allow for a more precise definition of the most essential differences in the approaches and proposals of negotiating parties on the subject matter of relations between the state budget and the municipal budgets. Completion of a Memorandum on differences would allow the Association to precisely define, justify and substantiate the financial accounts in their proposals and request their careful examination in the Council of Ministers and at the Parliament when the draft annual budget act is debated and adopted. Clear definitions of the positions of the Association on existing differences at this stage of the budget procedure shall enhance their opportunity to seek the assistance of the parliamentary lobby, the public and the media for their resolution. This is extremely important in the process of seeking and finding solutions within the mandatory balance between independent exercise of local choice and the financial stability at national level.

The Memorandum on differences in negotiations between the Association of municipalities and the Ministry of finance will ordinarily comprise of substantiated objections against:

- ✓ Types and amounts of intergovernmental transfers to the municipalities;
- ✓ Distribution of financial responsibilities between the central and the local government as regards public services provision;
- ✓ The mechanism of transfer allocation among municipalities;
- ✓ The relation between legally delegated responsibilities to local governance and their financial back up;
- ✓ Conditions to expand the range and improve the quality of services provided to the public by the municipalities;
- ✓ Limiting the powers of local governance authorities to actually determine local revenues and expenses and independently manage intergovernmental transfers, in accordance with local specifics and local public interest;
- ✓ Provision of resources to back up measures included in Strategies, Programs and other legal acts for local governance development;

It is advisable that the Memorandum does not list all existing differences; rather, it should contain major divergences of position that exert decisive impact on the interrelations between central and municipal budgets.

Optionally, the preamble to the Memorandum on differences may describe some major agreements reached as a result of the negotiation process.

Agreements would ordinarily include:

- ✓ Positive changes introduced in the macro frame of municipalities;
- ✓ Rights and responsibilities of local governance related to intergovernmental transfers (subsidies) that are not of earmarked nature;
- ✓ Requirements to harmonize criteria, prerequisites and pattern of distributing governmental budget funds among municipalities allocated to be transferred to municipalities. Such earmarked funds may be allocated for various purposes, such as: assistance of underdeveloped municipalities of actual budget deficit; assistance to municipalities in providing public services to vulnerable or risk population groups; co-financing of municipal projects under national and donor programs; harmonized measures to increase investment capacity and local powers to implement local investment policy;
- ✓ Execution of annual independent monitoring to achieve the objectives ensuing from the agreement of cooperation between the Association of Municipalities and the respective authorities of central executive and legislative power;
- ✓ Other arrangements in accordance with national and local specifics;

The Memorandum on differences signed by the Ministry of Finance and the President of the Association of Municipalities shall be reviewed by the Council of Ministers and submitted to the Parliament as an Exhibit to the draft governmental budget act. This should allow MPs to have a correct idea of existing differences, work out their own opinions, positions and proposals on existing issues and submit them for debates at the hearings of parliamentary commissions and in plenary meetings. To facilitate their work, the Association prepares and provides all MPs with specific financial data to support financial forecasts on proposed measures and solutions.

Municipal demands as reflected in the Memorandum on Differences shall be presented, substantiated and defended at debates of the Parliamentary commissions by representatives of the Association designated to represent the Association at political level. When necessary, the Association requests and agrees on meetings with the parliamentary groups of political parties elected to the Parliament.

5. Conclusions

- ✓ Successful budget negotiations with the Ministry of Finance are the key component in the overall dialogue between the National Association and the authorities of the central executive and legislative power on local governance development;
- ✓ It is necessary that the regulations and acts on local governance and local budget legislation bring about and establish durable legal provisions on the powers of the National Association to participate in budget-related negotiations;
- ✓ Further detailed regulation of relationship with the Council of Ministers and the Ministry of Finance may be done by executing separate agreements;
- ✓ The principles of the European Charter on Local Governance should become an inseparable part of the legislative framework and practices.

6. Recommendations

A strong National association of Municipalities should:

- ✓ Enter into a dialogue, rather than fights with the central executive and legislative authorities;
- ✓ Embody in an agreement, adopted procedure, legal act or other document any victory or positive change gained within the negotiation process;
- ✓ Be part of the process of preparing quality analysis, forecasts, consultative papers;
- ✓ Build their own financial data base and have access to the national data base of the Ministry of Finance;
- ✓ Seek and find their own lobby within each ministry, governmental agency and the Parliament;
- ✓ Win the support of the mass media, NGOs and the public;
- ✓ Learn to accept minor defeats in the name of the final victory;
- ✓ Research and apply the best international practices.

The Association should not:

- ✓ Permit that municipalities disagree and contradict each other;
- ✓ Negotiate allocation mechanisms only when total amount of transfers are not subject of negotiations;
- ✓ Nurture populist, unrealistic proposals;
- ✓ Forget to show their appreciation to every single person that showed support to their proposals;

III. General schedule of institutionalizing of budget negotiation

Institutionalizing of budget negotiations may be ensured by either implementing legal regulations or an agreement with the government, the Ministry of finance, respectively:

1. Legal provisions

The local governance act and the municipal budget act should guarantee the powers of the Association to:

- ✓ Develop proposals to amend and streamline the legal base of local governance;
- ✓ Come up with opinions and proposals on the draft state budget in its items related to municipalities;
- ✓ Come up with substantiated proposals on the total amount of funding relations between municipal budgets and the governmental budget and submit them with the Ministry of Finance;
- ✓ Express opinions and make proposals on the draft budget act, in its items related to municipalities;
- ✓ Carry out consultations with the Minister of Finance on the draft governmental budget act based on legally defined principles;
- ✓ Sign bilateral Protocol on differences with the Ministry of Finance. Such Protocol shall constitute an Exhibit to the draft budget act, shall be reviewed by the Council of Ministers and be submitted with the Parliament.

2. Legal provision in the form of an Agreement with the Ministry of Finance

An agreement with the Ministry of Finance could be drafted and executed in two versions, depending on the goals to be achieved, the level of institutionalization of budget negotiations and the

necessity to improve bilateral cooperation and collaboration in areas, other than the budget procedure on the draft budget act and municipal budgets.

2.1. Version One: Agreement to carry out negotiations. Such an agreement is drafted and approved provided regulatory framework providing for budget negotiations procedure is not in place or the practices of its application are unreliable and contradictory. Should such be the case, the procedural rules described in Item I.A model structure of procedural rules may be applied while national specifics are taken into consideration.

The draft Agreement could be prepared by a team of the Association or by a joint working group involving representatives of the Ministry of Finance. The draft Agreement is approved by the Board of Directors following coordination between the steering committees of the Association and the municipalities and is submitted to a procedure of coordination with Ministry of Finance.

It is advisable that in the process of preparing the draft Agreement:

- ✓ Potential benefits for the Ministry of Finance ensuing from the execution of such an agreement are outlined. The Ministry will be able to carry out budget negotiations with a reputable partner of national standing that commits to the complicated task to seek and summarize proposals of all municipalities while at the same time takes into account the specifics of their circumstances;

- ✓ Persuade the Ministry that the Association will commit to seek the support of the Parliament, the media and the public to implement the expectations of the citizens for the provision of improved public services by utilizing their significant expert and political capacity on governmental and local level and relying on the trust credit of election authorities of local power and the citizens;

- ✓ Commit to completing tasks the Ministry of Finance will also benefit from, e.g.: improvement of financial discipline and control; provision of support to municipalities lacking in administrative capacity; organization of training for municipalities, etc.;

- ✓ The Association undertakes the responsibility to mobilize existing opportunities on a local level to help execute adopted budgets and summon wide participation of civil society in the management of municipal finances.

The Agreement thus coordinated shall be signed by the Minister of Finance and the chairperson of the Board of Directors of the Association and shall enter into force within the agreed timeframe. It is advisable that the document is widely publicized in the media, among the bodies of the central executive and legislative power, among municipalities and civil society formations. Subsequently, opportunities should be sought to institutionalize the clauses of the Agreement by virtue of a law or a legislative act of the Council of Ministers.

2.2. Version Two: Agreement of interaction and cooperation. The Agreement shall contain procedural rules on the implementation of budget negotiations and major issues between the Ministry of Finance and the Association with regard to the local finance reform, such as:

- ✓ Cooperation to implement decentralization strategies and agendas in the management and financing of public services;

- ✓ Long- and mid-term measures to expand the revenue base of municipalities;

- ✓ Changes in the distribution of financial responsibilities between state and municipal power in the area of public services provision;

- ✓ Streamlining the system of intergovernmental transfers and the criteria for their allocation among municipalities;
- ✓ Measures to increase the investment capacities of municipalities;
- ✓ Cooperation between the revenues administrations on national and local level;
- ✓ Improve the exchange of information between the Ministry of Finance, the Association and the municipalities;
- ✓ Support for enhancing the involvement of civil society in the decision making process on municipal financial policy and the exercise of public control over the spending of public financial resources;
- ✓ Procedure for the Association's involvement in drafting and adoption of legislative acts related to municipal finances;
- ✓ Organizing joint training and media events;
- ✓ Other issues of mutual interest.

3. **National annual budget procedure calendar**

It is extremely important that the Procedural rules on budget negotiations between the Association of Municipalities and the Ministry of Finance are reflected in a National budget calendar for preparing the draft governmental budget to be implemented in the forthcoming budget year.

In principle, the National budget calendar should be adopted by the Government and provide for the budget procedure. The calendar provides for:

- ✓ Responsibilities of institutions in preparing the draft governmental budget act (the Council of Ministers, the Ministry of Finance, other ministries, governmental agencies, mayors, etc.);
- ✓ Major factors that help improve the management of public finance;
- ✓ Relevant information and deadlines for the participants in the budget procedures to provide such information to the Ministry of Finance, the Council of Ministers and the Parliament;
- ✓ Obligations of ministers, responsible for the respective areas of activities, to advise in advance and discuss with the Association of municipalities specific governmental policies, related to municipal budgets;
- ✓ Obligations of the Minister of Finance to sign a Memorandum on differences ensuing from budget negotiations with the Chairperson of the Association of municipalities.

Depending on the national specifics, each Association may select and further specify the appropriate form, manner and pattern to successfully negotiate budgets.

RECOMMENDATIONS ON LEGAL REGULATIONS REGARDING BUDGET NEGOTIATIONS IN NALAS COUNTRIES

General Powers of the Association

It is recommendable these powers to be regulated under the general law on Local Self-government.

Art. ... The Association of Local Authorities:

1. Represents its members before the Central Executive and Legislative Authorities
2. Develops standpoints and proposals on draft-laws, related to the activities of the local authorities, as well as on country State budget in its part for the municipalities.

Powers of the Association on Budgetary procedure

These powers to be set in law regulating local finances.

Art. ... In the frame of the budgetary procedures for the respective year, the Association of municipalities makes a motivated proposal on general amount of inter-relations between municipal budgets and state budget and presents them to the Ministry of Finance.

Art. ... Following the preparation of State draft budget, the Association of municipalities prepares a standpoint and proposal on the draft law in its part for the municipalities.

Art.... Minister of finances makes consultations with the Association of municipalities on proposals made by them under the above mentioned articles.

Art. ... Consultations under the article above are conducted in compliance with the rules on mutual respect, confidence, equality, transparency and publicity, taking a responsibility in accordance with the adequate power and real capacities of central and local authorities.

Art. ... Dissension from consultations are set in bilateral signed protocol and it is attached to the draft law on state budget and than shall be presented to the Parliament together with the draft law.

Regarding the Equalising mechanism: Negotiations on the general amount and distribution criteria of the transfers

Art. ... Criteria on allocation of state transfers under the equalising mechanism are settled through negotiations between the Minister of Finance and the Association of municipalities..

Regarding Target investment transfers – negotiations on general amount and criteria of distribution:

Capital expenditures for municipal infrastructure

Expenditures on main municipal activities: education, healthcare, social activities, culture and sport.

Art. ... Criteria for allocation of target investment transfers on capital expenditures for municipal infrastructure are settled through negotiations between the Minister of Finance and Association of municipalities.

Note: Regarding determination of the general amount of all kind of transfers to the municipalities – they shall be bound to stabile objective indicators, for example share of GDP, or of state tax income, etc.

The following text shall be developed separately (with eventual specific in form) for every municipal activity, covered by State transfers – for example education, healthcare, culture, sports, social activities, etc.

Art. ... Association of municipalities together with the Minister of ... *(the respective line minister shall be pointed)* develop norms/methods for evaluation of the activity costs for ... *(the particular activity shall be included)*. On this basis they prepare together motivated proposal to the Minister of Finance for establishment of general amount of the earmarked investment transfers to municipalities as well as the amount of transfers to the respective municipality.

A possible approach is establishing a permanent intergovernmental authority (State-Association) with consultative and monitoring functions. It can be implemented by legislative text (see the approach of Serbia) or by agreement between the Association and the Government or the Ministry of Finance..

Art. ... A Commission on Budget co-operation between the central and local authorities shall be established. It has consultative functions in the process for determination of the criteria for allocation of transfers from the central budget to local authorities. It will make monitoring regarding the activities on implementation of state budget in its part for the municipalities. Through its activities the Association have to secure the enforcement of the principles of equality, efficiency and transparency in budget relations with the municipalities and will make proposals for their improvement.

Art. ... The Commission has X members. 1/2 of them are nominated by the Association of local authority. 1/2 of it members are nominated by the Ministry of Finance. The Commission has two Chairpersons – one nominated by the Association and other nominated by the Ministry of Finance. The Commission shall decide by majority of votes of present members provided that half of Commission members plus one are present at the session.

Art. ... The Commission shall conduct its sessions minimum ones in three month. The Commission is obliged to present statements on budgetary relations for every stage under the budgetary procedure, as well as in budget development and during budget implementation.

Art. ... The Commission shall make proposals on:

- criteria and methods for allocation of non earmarked investment and general transfers to the local authorities.
- Criteria for allocation of earmarked investment transfers, as well as to national programs for target development, and make statements on application procedures and selection.
- monitoring of vertical and horizontal balance of the system. Evaluation of system influence towards the horizontal equalization and make proposals for improvement and effective application.
- Commission makes an annual analytical report on budget relations efficiency with regard to local self-government development and makes proposals on their improvement

**REGULATIONS ON BUDGET NEGOTIATIONS
IN NALAS COUNTRIES**

BULGARIA

Local Self-Government and Local Administration Act

Art. 9, (3) National Association for Municipalities:

1. represents its members before state authorities;
2. develop proposals for amendments and improvement of the local self-government legislation;
3. elaborate country draft budget statements and proposals in its part for the municipalities;
- (4) Rights under paragraph 3 shall enter into force, if more than 2/3 of municipalities are members of the National Association;

Municipal Budgets Act

Interrelations between Municipal Budget Central Budget

Art. 34

(4) General Equalizing Subsidy for local activities is aimed to secure minimal level of the local municipal services. Criteria for allocation of the General Equalizing Subsidy for municipalities shall be established by the Minister of Finance together with the National Association of Municipalities in the Republic of Bulgaria.

(6) The Minister of Finance and National Association of Municipalities in the Republic of Bulgaria shall set up the amount of Capital Subsidy and criteria for its allocation.

Art. 37 (1) Within the budgetary procedure on elaboration of the draft law on state budget for the respective year the National Association for Municipalities in the Republic of Bulgaria shall develop a motivated proposal on general amount of interrelations between the municipal budgets and central budget and shall present them to the Ministry of Finance.

(2) National Association of Municipalities in the Republic of Bulgaria shall submit a standpoint and proposal regarding the draft law, developed by the Ministry of Finance, in its part for the municipalities.

(3) Minister of finances shall conduct consultations with the National Association of Municipalities the Republic of Bulgaria with regard to its proposals under (1) and (2).

(4) Consultations under (3) shall be conducted observing the principals of mutual respect and confidence, equality, transparency and publicity, taking a responsibility in accordance with the adequate power and real capacity of central and local authorities.

(5) Dissension from consultations under (3) shall be set up in bilateral signed protocol and attached to the draft law on state budget of the Republic of Bulgaria and shall be considered by the Council of Ministers.

LAW on State Budget of the Republic of Bulgaria for the year 2008

Art. 13 (5) Unused resources for ecological projects under Enclosure #8 shall be forwarded to the Ministry of Finance at the proposal of the Ministry of Environment and Water of Bulgaria in coordination with the National Association of Municipalities in the Republic of Bulgaria for other ecological projects.

Par. 35 (1) Municipalities with objective structural deficit shall be supported under the conditions and order specified by the Council of Minister and coordinated by the National Association for Municipalities in the Republic of Bulgaria.

(2) Council of Ministers shall determine criteria for the municipalities with the objective structural deficit in coordination with the National Association of Municipalities in the Republic of Bulgaria.

Par.50 Funds stipulated under Art.1, line 2, point 2.1 for the amount of 12 000 thousand BGN for sub financing by the municipalities on particular projects of Social Investment Fund, Program “Beautiful Bulgaria” and other programs and 1500 thousand BGN for Investment project, executed by two or more municipalities shall be distributed by order determined by the Minister of Finance in coordination with the National Association of Municipalities in the Republic of Bulgaria

BY-LAW Regulation Acts

Decision #142 of Council of Ministers on Budgetary Procedure

(This act shall be adopted every year with analogous texts)

2.2.2 May 30, 2008 shall be the deadline for observing the provisions of the Minister of Finances under point 2.2.1 and the approved decisions under point 2.1.4 as follows:

b) ministers responsible to conduct and coordinate the national strategy and policy in the respective sphere shall work out and present at the Ministry of Finance three year budgetary programs for the period 2009-2011 for the activities, funded by individual budgets, non-budget funds and Enterprise on Management and Activities for Environment Protection, and preliminary consultations shall be made with the respective bodies, and in part for delegated by the State services, funded by the municipality budgets shall be consulted with the National Association of the Municipalities in the Republic of Bulgaria.

c) minister of healthcare and minister of culture considered with the minister of finances and the National Association of Municipalities in the Republic of Bulgaria shall develop a proposals for standards on costs for State delegated services (hospitals, museums, local libraries) funded by municipal budgets.

d) Ministry of education and science, minister of healthcare, minister of labor and social policy, minister of culture in coordination with the minister of finance and with the National Association of Municipalities in the Republic of Bulgaria shall develop a proposals for municipal budget funding standards on revenues of State delegated services.

Decree # 15 of the Council of Ministers on State Budget Implementation

Art. 39 Ministry of State Policy for Disasters and Accidents and Minister of Finance considered with the National Association of Municipalities in the Republic of Bulgaria shall adopted criteria for distribution of the revenues for the amount 10 000 thousand BGN, earmarked by municipalities for measure aimed in case of disasters up to March 2008.

Art. 42 (1) Ministry of healthcare shall provide a subsidy to the municipal hospitals in rural and risk regions in compliance with criteria and order determined by the Minister of Healthcare and considered by the National Association of Municipalities in the Republic of Bulgaria in the frame of funds anticipated by the law on State Budget of the Republic of Bulgaria for activities in the year 2008.

Art. 61 (2) Minister of education and science up to August 1 and December 20 shall inform the National Association of Municipalities in the Republic of Bulgaria for execution of the programs under line 1, related to the municipal property.

Art. 76 (1) Minister of Finance together with the National Association of Municipalities in the Republic of Bulgaria up to February 20, 2008 shall determine order funds distribution for sub financing of particular municipal projects under paragraph 50 from previous final regulations for the Law on State Budget of the Republic of Bulgaria for the year 2008.

KOSOVO

Law no. 2003/2 “LAW ON PUBLIC FINANCIAL MANAGEMENT AND ACCOUNTABILITY” Low no. 2003/2 “LOW AN PIBLIC FINANCIAL MANAGEMENT AND ACCOUNTABILITY”

Excerpts: Section 58.1 “There shall be established a Grants Commission no later than sixty (60) days after the effective data of the present law. The members of the Grants Commission shall be the Prime Minister, the Minister of Finance and Economy, another Minister appointed by the Government, the Chairman of the Budget Committee of the Assembly, and three representatives of the Municipalities nominated by the Association of Kosovo Municipalities and approved by the Government.

ROMANIA

Law no. 215/2001, re-published – Law on Local Public Administration

Article 8

(1) The central public administration authorities shall consult, before adopting any decision, the associative structures of the local public administration authorities, in all matters that directly concern them, according to the law.

(2) The associative structures of the local public administration authorities are:

- a) Association of communes in Romania;
- b) Association of towns of Romania;
- c) Association of Municipalities of Romania;
- d) The National Union of Municipal Councils of Romania;
- e) Other associative forms of general interest, established in accordance with the law.

SERBIA

Law on local government finance

Predictability of the Republic Transfers

Article 47

Overview of non-categorical transfers per local government units shall be prepared by the Ministry in cooperation with the Commission for Intergovernmental Finances.

Overview from Paragraph 1 of this article shall be integral part of revised Memorandum.

Article 50

A Commission for Intergovernmental Finances (hereinafter: Commission) shall be established to ensure the principle of fairness, efficiency and transparency of intergovernmental finance and to propose recommendations for its improvement.

Article 52

The Commission President shall convene session minimum once in three months.

The Commission shall decide by majority of votes of present members provided that at least six of the Commission members are present at the session

Article 53

Commission shall:

- 1) Analyze criteria and standards for the allocation of non-categorical and block transfers to local government units and setting the amount thereof in line with provisions of articles 37-44 of this Law;
- 2) Analyze programs for granting categorical transfer in a narrower sense, including application procedures and selection criteria;
- 3) Monitor the vertical and horizontal balance of the system, the level of debt incurred by local government units and results of changes of the intergovernmental finance system, and prepare annual reports that are due not later than May 30 prepared for the previous year on changes in the system
- 4) Prepare recommendations for amendment and improvement of intergovernmental finance reform

SLOVENIA

The law on financing of municipalities

Excerpts: article 12: Before the presentation of the state budget to the Parliament the Government stipulates an agreement with representative associations of municipalities which foresee the kind and size of additional tasks which expense are included in the amount of the "proper size of the expenditure" of municipal tasks (or appropriate expenditure) and the average appropriate expenditure for the next year.