NATIONAL AUDIT
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• BRINGING BENEFITS •

ASSESSMENT OF THE COMPLIANCE WITH THE FISCAL DISCIPLINE RULES OF THE LOCAL GOVERNMENTS

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SUMMARY

Key messages from the Assessment of the Compliance with the Fiscal Discipline Rules of the Local Governments:

Ex-post:

- The *ex-post* compliance with the fiscal discipline rules of the local governments is important in order to ensure the maintenance of grants for the co-financing projects from the European Union Structural Funds. Eligibility for carrying out investment projects financed using loans and the possibility not to return the received grants are possible only when complying with fiscal discipline rules.

- Based on the assessment of the Fiscal Institution, the budgets of Kaunas, Klaipėda, Šiauliai, and Vilnius cities municipalities were implemented in accordance with the fiscal discipline rule for the budgets attributable to the general government sector in 2019, i.e. the structural balance indicator calculated on accrual basis was balanced.

- The budgets of the remaining 56 municipalities (all except for Kaunas, Klaipėda, Šiauliai and Vilnius cities) were also implemented in accordance with the fiscal discipline rule for the budgets attributable to the general government sector in 2019, i.e. the appropriations did not exceed revenues.

Ex-ante:

- It should be notated that, when approving the 2020 budgets, the councils of the local governments adopted their primary budgets before 1 March 2020. Thus, the uncertainty regarding the spread of COVID-19 was not included in the planned budgets of the local governments.

- The primary budgets of Kaunas, Klaipėda, Šiauliai, and Vilnius city municipalities for 2020 were adopted in accordance with the fiscal discipline rule for the budgets attributable to the general government sector, i.e. the structural balance indicator calculated on accrual basis was balanced.

- The primary budgets for 2020 of the remaining 56 municipalities (all except for Kaunas, Klaipėda, Šiauliai and Vilnius cities) were also adopted following the fiscal discipline rule for the budgets attributable to the general government sector, i.e. the appropriations did not exceed revenues.

- Taking into account the possibility to submit applications to the Central Project Management Agency, five local governments included additional appropriations intended for investment projects when approving their primary budgets for 2020. Due to this, they are included in the group of local governments adhering to the fiscal discipline rules.

- When assessing the *ex-ante* budget compliance with the fiscal discipline rules of the local governments, inaccuracies of filling in the information on unused part of the revenue were observed. In addition to these inaccuracies, when calculating their balances, some of the local governments include funds that, according to the Law on the Budget Structure, do not meet the definition of the unused part of the revenue. In view of these issues, some of the local governments submitted adjustments regarding the unused part of the revenue to the Fiscal Institution.