**Towards Establishing Financial and Budget Indicators for Municipalities: A Literature Review**

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***Abstract:*** *Currently, one of the main problems that municipalities and other stakeholders face is having some objective indicators related to the finances and particularly the budget of municipalities in the Republic of Macedonia. Considering the nature of local government finances and consulting various previous studies carried in similar countries like Macedonia, it is possible to generate some representative financial or budget indicators that could apply to municipalities in the country. These indicators would serve as the basis on which municipalities could be ranked within a year or through various years. It would depend on the availability of the data aiming at analyzing their relative performance and positioning. This paper aims at consulting the literature about generating these indicators and analyzing their applicability in the case of municipalities in Macedonia. The output of this study is a set of financial or budget indicators related to revenues and expenditures in municipalities of Macedonia.*

*Definitely, this is a pioneering study for the country and the region. It would contribute to the existing research about evaluating the financial relative performance and financial conditions of municipalities not only in Macedonia, but also in the region.*

***Keywords:*** *Financial Indicators, Budget Indicators, Municipalities.*