

LAW ON THE BUDGET SYSTEM OF REPUBLIKA SRPSKA

I BASIC PROVISIONS

Contents and scope of this Law

Article 1

This Law regulates the budget system that consists of:

1. Republika Srpska budget,
2. Budgets of municipalities and towns,
3. Financial plan of extra-budgetary funds.

This Law regulates:

1. Preparation, planning, development and adoption of the budget of Republika Srpska (hereinafter: the Republic), the budgets of municipalities and towns and the financial plan of the extra-budgetary funds (hereinafter: the Funds);
2. Execution of the Republic budget, municipal and town budgets and financial plan of the Funds, borrowings and debt management, and;
3. Budget accounting, control and audit of the Republic Budget, the budgets of municipalities and towns, and financial plan of the Funds;

Definitions

Article 2

1. *Budget* is a common expression for the Republic budget and the budgets of municipalities and towns.
2. *The Republic budget* is an estimate of annual revenues, grants and financing, as well as the determined amount of expenditures and other expenses of the Republic
3. *The budget of municipalities and towns* is an estimate of annual revenues, grants and financing and the determined amount of expenditures and other expenses of municipalities and towns.
4. *Budget reserve* represents a part of planned revenues of the budget that is not distributed in advance, but based on the special Government's decision, i.e. the executive body of municipalities and towns.
5. *Memorandum on the budget* (hereinafter: the Memorandum) is an enactment which contains an assessment of the economic and fiscal policy of the Government and its impact on the budget and an estimate of revenues and expenditures by main types for the following fiscal year.

6. *The fiscal year* is the 12 months period, which starts from January 1, and ends on December 31 of the calendar year.
7. *The Decision on budget adoption* is an enactment by which the National Assembly (hereinafter: the Assembly), i.e. the municipal and town assemblies approve the budget for every fiscal year.
8. *Financial plan* is an enactment of the Funds that contains an estimate of revenues and income scope, i.e. the expenditures and other expenses for a fiscal year.
9. *Borrowing and debt* represent the contracting of loans or issuing of securities.
10. *Budget executor* is the Ministry of Finance (hereinafter: the Ministry), i.e. the municipal or town administrative body authorized for finance.
11. *Budget beneficiaries* are the bodies and institutions of the Republic, i.e. the municipalities and towns and other beneficiaries financed from the budget in accordance with the Law.
12. *Funds* are the legal entities financed from the special purpose contributions and those are:
 - Republic pension-invalid insurance fund,
 - Republic health insurance fund,
 - Republic public child care fund,
 - Republic employment institute.
13. Budget resources represent the total inflow in the budget.
14. *Public revenues* are tax revenues and other revenues, which are financing the Republic rights and obligations, as well as the tasks and activities of municipalities, towns, and funds determined by the Constitution and Law.
15. *Grants* are non-returnable resources that represent the budget revenue for which an obligation of return to the domestic and (or) foreign donor does not exist.
16. *Financing* stands for the resources of long-term and short-term credits and borrowings to the Republic, municipalities and towns, the resources realized from sale of state capital and received repayments of extended credits and borrowings in the country and abroad.
17. *Budgetary expenses* represent the total expenditures and other out-payments from the budget.
18. *Long-term obligation* (hereinafter: borrowing) stands for the resources that the budget beneficiaries reserve based on a contract or other bounding legal enactment, that are going to represent a cash expense in more fiscal years.
19. *Budget surplus* represents a positive difference between the public revenues and budget expenses at the end of a fiscal year.
20. *Budget deficit* represents a negatives difference between the public revenues and budget expenses at the end of a fiscal year.
21. Public Revenues Account is the account on which all the payments for the Republic, municipalities, towns and funds are made and out of which all the payments on behalf of the Republic and other budget beneficiaries are made.
22. *Treasury General Ledger* is a system encompassing daily logs, general ledger and special accessory ledgers of budget beneficiaries for all the revenue and expenditure sources, where all financial transactions are recorded.

Article 3

Uniqueness of the budget system is provided through the common legal basis, a unique budget classification, use of unique budget documentation for development of budgets of the Republic, municipalities and towns, funds, unique budget accounting system, unique criteria for budget control and audit and the unique principles that the budget procedure is based on, in accordance to this Law.

Budget resources

Article 4

Budget resources shall be used for financing of the budget beneficiaries functions, for execution of their tasks and other purposes that are in accordance to the Republic Constitution, legal enactments and regulations of the local authorities (municipalities and towns).

Article 5

Budget resources and budget expenses must be balanced.

If during a fiscal year the decrease or increase of budget resources occurs, i.e. the increase or decrease of budget expenses, the balancing of the budget shall be conducted through the budget rebalance by the procedure for budget adoption.

Article 6

Budget resources that belong to the Republic Budget and those that are divided between the Republic Budget and budgets of municipalities. i.e. towns, shall be paid in by automatism to the Republic Budget unique accounts – Treasury and gyro-accounts of the municipalities, i.e. towns and funds.

Budget resources that as a whole belong to the municipal or town budgets and represent the source revenues of the local communities, shall be paid to gyro-account of the municipal, i.e. town budget.

Short-term obligations and cash payments of the budget beneficiaries must not be exceed than amounts defined in the budget for the fiscal year.

Collection of the revenues is not limited by the amounts of revenues presented in the budget.

Budget revenues

Article 7

Revenues that belong to the Republic Budget are the following:

1. customs;
2. excises;
 -
3. tax on profit;
4. income tax as follows:
 - annual tax on citizens income,
 - tax on income from royalties, patents and technical improvements,
 - tax on income from capital,
 - tax on income from capital income;
5. tax on income from hazard games;
6. tax on movable property as follows:
 - tax on use of motor vehicles,
 - tax on use of mobile phones,
 - tax on use of boats, yachts and floating objects,
 - tax on use of airplanes and flying objects,
 - tax on holding and bearing of weapons;
7. special tax on regular and safe railway traffic;
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8. tax on organization of lottery and games;
9. fees as follows:
 - special fee on import by Decision on payment of special fee on imported goods,
 - special fee on imported goods,
 - special fee paid on the import of products,
 - republic administrative fees,
 - republic court fees,
 - special republic fee,
 - other republic fees;
10. other fees:
 - fees on use of natural and other resources of general interest;
 - special water fees,
 - fees, i.e. resources for environment protections;
 - fee for use of other resources of general interest;
11. fines except those from the Article 11 Item 5 of this Law;
12. revenues from illegally gained property and benefit;
13. other public revenues as follows:
 - revenues obtained through the own activity of state bodies that are financed from the Republic budget,
 - revenues obtained through the own activity of budget beneficiaries that are financed from the Republic budget,
 - other revenues of the Republic budget.

Article 8

Revenues divided between the Republic budget and the budgets of municipalities and towns are:

1. Revenues from the sales tax on goods and services shall be divided as follows:
 - Between the Republic budget and the budgets of developed municipalities in proportion 70:30;
 - Between the Republic budget and the budgets of medium developed municipalities in proportion 60:40;
 - Between the Republic budget and the budgets of undeveloped municipalities in proportion 50:50;
 - Between the Republic budget and the budgets of exceptionally undeveloped municipalities in proportion 40:60;
 - Between the Republic budget and budget of the town of Banja Luka 65:35.

Manner of allocation of revenues from sales tax between the budgets of municipalities that are constituting the town and the town budgets shall be regulated by the town statute.

2. Road fee that is paid on registration of motor vehicles shall be divided between the Republic budget and municipal budget in proportion 85:15.
3. Tax on citizens income:
 - Tax on income from independent activity
 - Tax on personal income

These shall be divided between the Republic budget and municipal budget in proportion 75:25.

Article 9

The revenues that belong to the municipal budget are the following:

1. property tax,
2. tax on citizens income:
 - tax on income from agriculture and forestry,
3. fines stated in the penalty procedure for offences defined in the municipal enactments,
4. municipal administrative fee,
5. communal fees,
6. municipal fees for use of natural and other resources of general interest,
7. tax on income from hazard games,
8. other municipal revenues;

Article 10

Introduction of the new and changes of existing revenues of the Republic, municipal and town budgets can be made only by the law.

Budget surplus and deficit

Article 11

Annual budget shall determine a manner of use of the surplus, i.e. manner of the deficit financing.

Budget surplus shall be distributed based on the Parliament decisions, i.e. municipal and town assemblies.

Budget deficit shall be financed by borrowing in the country and abroad, as regulated under the Articles 44 through 57 of this Law.

II PREPARATION AND ADOPTION OF THE BUDGET

Budget preparation

Article 12

The budget shall be prepared, adopted and executed based on the unique budget classification system.

The unique budget classification is encompassing the economic classification of budget income and budget expenses, and organizational and functional classification of the budget expenses.

Economic classification of the budget income presents the budget income in accordance with the regulations that are determining the budget income resources. Economic classification of the budget income presents the executed transfer payments by goods and services.

Organizational classification presents the budget expenses by budget beneficiaries with allocation between the beneficiaries.

Functional classification presents the budget expenses by the functional purpose for a specific area.

Budget calendar

Article 13

The budget shall be prepared and adopted according to the budget calendar.

Article 14

The calendar of the Republic budget is the following:

June 15th – the Ministry shall prepare the preliminary Memorandum.

June 30th – the Government shall adopt the preliminary Memorandum.

July 1st – the Ministry shall submit the preliminary Memorandum to the municipalities and towns.

July 1st – the Ministry shall issue the instruction to the budget beneficiaries on the manner and elements of draft budget development for the following fiscal year.

September 1st – the budget beneficiaries shall submit the budget requests for the following fiscal year to the Ministry.

October 1st - The Government shall adopt the final Memorandum that is harmonized with the macroeconomic framework.

October 2nd – the Ministry shall submit the final Memorandum to the municipalities, towns and towns.

October 15th – the Ministry shall submit to the Government the Republic budget draft for the following fiscal year.

November 5th - the Government shall adopt the Republic budget draft for the following fiscal year and submit it to the Parliament for adoption.

November 15th – the Parliament shall adopt the Republic budget draft for the following fiscal year.

December 1st - The Government shall adopt the Republic budget proposal for the following fiscal year and submit it, along with the final Memorandum, to the Parliament.

December 15th – the Parliament shall adopt the Republic budget for the following fiscal year.

Article 15

The budget calendar of the municipalities and towns is the following:

July 5th – the municipalities and towns shall analyze the preliminary Memorandum.

Adopted on September 13, 2002

July 20th – the municipal and town administrative body authorized for finance shall issue to the budget beneficiaries the instruction for preparation of municipal and town budget drafts for the following fiscal year.

September 15th – the budget beneficiaries shall submit the budget requests for the following fiscal year to the municipal and town administrative body authorized for finance.

October 15th – the municipal and town administrative body authorized for finance shall develop the municipal and town budget draft taking into account the guidelines contained in the final Memorandum. **November 1st** – an authorized executive municipal and town administrative body shall adopt the municipal and town budget draft and submit it to the Ministry.

November 15th – the Ministry shall submit the recommendations and directions to the municipal and town administrative body authorized for finance for the development of the municipal and town budget proposal.

December 5th – executive body of the municipality and town shall adopt the municipal and town budget proposal for the following fiscal year.

December 15th – the municipal and town assembly shall adopt the budget for the following fiscal year.

December 24th – the municipal and town administrative body authorized for finance shall submit to the Ministry the adopted budget for the following fiscal year.

Article 16

The deadlines from the Articles 14 and 15 are the final deadlines in the budget calendar.

Development of the Republic Budget Draft

Article 17

Upon adoption of the Memorandum, the Ministry shall pass on to the budget beneficiaries the Instruction on method and elements of the Republic budget draft development (hereinafter: the Instruction).

The Instruction shall contain:

1. basic economic assumptions and guidelines for preparation of the Republic budget;
2. estimate of income and expenses of the Republic budget for the following fiscal year;
3. proposal of the approximate amount of expenditures for each budget beneficiary in the following fiscal year;
4. procedure and dynamic of the Republic budget preparation and development of the budget beneficiaries budget requests for the following fiscal year

Article 18

The budget beneficiaries that have the subordinated units within their competence are obliged to pass on the Instruction to those units.

The budget beneficiaries from the Paragraph 1 of this Article are obliged to develop the consolidated budget request for their subordinated budget units.

Article 19

Based on the Instruction, the budget beneficiaries shall develop the budget request.

The budget request from the Paragraph 1 of this Article consist of three parts, and those are:

1. request for current expenses with the data on existing activities and budget beneficiary services;
2. request for additional resources for current activities for which the financing cannot be adjusted with a limitation contained in the Instruction, with the proposal of priorities that ought to be considered in the process of budget adoption for the following fiscal year.
3. request for the purchase of fixed assets and equipment, additional resources for capital projects initiated in the previous fiscal years and for the new capital projects, as the priorities that ought to be considered in the process of the budget adoption for the following fiscal year.

The requests from the Paragraph 2 of this Article shall consist of financial request and written explanation.

Written explanation of the request from Paragraph 2 Item 1 of this Article, is required to contain the data on budget beneficiary organizational structure, activities and services, review of assets and employees essential for the activities and services within the current expenses.

Written explanation of the request from Paragraph 2 Item 2 of this Article is required to contain a description and the reasons for activities for which demanding the additional resources and new employees.

Written explanation of the request from Paragraph 2 Item 3 of this Article is required to contain, for each individual request, the reasons, description, realization and cost estimate related to utilization and maintenance of the fixed assets.

Article 20

The Ministry shall consider the budget beneficiaries' requests keeping in view:

1. Objectives in respect of income and expenses;
2. Data and explanations in accordance with the Article 19 of this Law;

Before the development of budget draft, the Ministry shall inform the budget beneficiaries on the proposed amounts of income and expenses.

Budget beneficiaries shall submit their objections on the amounts from the Paragraph 2 of this Article to the Ministry.

In the case of the agreement under the Paragraph 3 of this Article not being reached, the Government shall decide.

Development of the municipal and town budgets

Article 21

The municipal administrative body authorized for finance, in accordance to the Memorandum, shall submit the Instruction for preparation of the municipal and town budgets for the following fiscal year to the budget beneficiaries.

Instruction from the Paragraph 1 of this Article contains:

1. Basic economic assumptions and directives for budget draft preparation of municipalities and towns for the following fiscal year;
2. Description of the planned policy of local authorities;
3. Estimates of budget resources and expenses of the municipalities and towns for the following fiscal year;
4. Proposal of the approximate expenditure amount for each beneficiary of the municipal and town budgets resources in the following fiscal year.
5. Procedure and dynamic of preparation of the municipal and town budgets.

Article 22

Provisions referred to in the Articles 19 and 20 of this Law relate to the municipalities and towns in the appropriate manner.

Budget proposal

Article 23

The procedure of the Republic budget proposal definition is the following:

1. The Ministry shall submit the Republic budget draft for the following fiscal year to the Government;
2. The Government may require from the Ministry to enclose additional information and explanations related to the Republic budget draft;
3. The Government shall decide on changes to Republic budget draft;
4. The Government shall adopt the Republic budget draft for the following fiscal year and pass it on to the Parliament for public discussion;
5. The Government shall define the Republic budget proposal in accordance with the conclusions passed by the Parliament upon held public discussion, and submit it to the Parliament, along with the Memorandum.

Article 24

The procedure of definition of the municipal and town budget proposal is the following:

1. Municipal and town administrative body authorized for finance shall submit the municipal and town budget draft to the authorized executive body of the municipality and town;
2. Authorized municipal and town executive body may require from the municipal and town administrative body authorized for finance the additional information or explanations that relate to the municipal and town budget draft for the following year;
3. Authorized municipal and town executive body shall adopt the municipal and town budget draft, and defines the budget proposal in accordance with the recommendations and guidelines of the Ministry of Finance;
4. Authorized municipal and town executive body shall submit the municipal and town budget proposal to the municipal and town assembly along with the obtained agreement of the Ministry.

Article 25

The Parliament shall, on the Government's proposal, adopt the Republic budget and the Decision on adoption of the Republic budget.

Municipal and town assemblies shall, upon the Ministry's agreement, adopt the budgets of municipalities and towns and the Decision on adoption of the budgets of municipalities and towns.

Article 26

On the Government's proposal, the Parliament shall adopt the Law on Budget Execution.

On the proposal of the Head of Municipality, i.e. Mayor, the municipal, i.e. town assemblies shall adopt the decision on execution of the municipal, i.e. town budget for a year for which it is getting adopted.

Article 27

The Parliament can make changes to the proposed Republic budget in accordance with the following principles:

1. Proposals on expenditure increase must contain the measures for increase of revenues or for decrease of other revenues for the equal amount.
2. Revenue increase must be harmonized with the general macroeconomic framework..

Budget announcement

Article 28

The Republic budget shall be published in the "Official Gazette of Republika Srpska". The municipal and town budget shall be published in the local official newspapers.

Fiscal year and temporary financing

Article 29

The budget is adopted for a period of one fiscal year and is valid for the year for which is enacted.

In the case when Parliament, i.e. the municipal and town assemblies do not adopt the budget prior the beginning of the fiscal year, the Parliament, i.e. municipal and town assemblies shall pass the Decision on temporary financing in duration of maximum first three months of a fiscal year.

Temporary financing, in the sense of Paragraph 2 of this Article, shall be performed in proportion with the resources used in the budget in the same period of the previous fiscal year, up to the maximum of one quarter of total revenues allocated in the previous fiscal year budget.

Adopted on September 13, 2002

If the Parliament, i.e. the municipal and town assemblies do not pass the Decision on temporary financing, the spending of resources can be done only in the amount of spend resources in the same period of the previous fiscal year.

III PREPARATION AND ADOPTION OF FUNDS FINANCIAL PLAN

Preparation of Funds financial plan

Article 30

The funds shall prepare a financial plan that consist of:

- Revenues and income,
- Expenditures,
- Financing.

A manner of presentation of the revenues and income, expenditures and financing must be harmonized with the accounting regulations.

Calendar of Funds financial plan

Article 31

Funds financial plan shall be prepared and adopted according to the following calendar:

October 5th – the funds shall analyze the final Memorandum.

November 15th – the funds shall submit the financial plan draft for the following fiscal year to the Ministry which is authorized to propose the changes and amendments to it.

December 1st – along with adoption of the Republic budget proposal, the Government shall give the agreement on the funds financial plan proposal for the following fiscal year.

December 15th – an authorized fund body shall adopt the financial plan for the following fiscal year.

The deadlines from the Paragraph 1 of this Article represent the final deadlines in the calendar of the funds financial plan.

Adoption of the funds financial plan

Article 32

An authorized body of the Fund shall adopt the financial plan for the following fiscal year.

The agreement on the financial plan proposal shall grant the Government.

IV BUDGET EXECUTION

Budget liquidity

Article 33

The budget executor shall plan the budget liquidity based on the budget resources and expenses within the plans for the budget execution.

Budget execution plan represents the assessment of planned budget resources and planned expenses in the defined time period.

Article 34

Actual budget expenses of each budget beneficiary must be in accordance with the budget resources planned for the quarters or some other time periods determined by the Minister, i.e. municipal and town administrative body authorized for finance.

Resources for covering of budget expenses from the Paragraph 1 of this Article shall be allocated based on availability of budget resources, taking into account the plan on budget execution of each budget beneficiary and the budget liquidity.

Planned budget resources shall be designated to the budget beneficiaries by priorities determined by the budget executor.

Article 35

Resources allocated in the budget cannot be re-allocated among the budget beneficiaries, unless it is explicitly permitted by the Law, i.e. by the Decision regulating the budget execution.

Temporary suspension of budget execution

Article 36

In case the expenses increase or resources decrease during a fiscal year, the Government can pass the decision on suspension of budget execution of individual expenses on the Ministry's proposal, i.e. authorized executive body of the municipality and town on proposal of the municipal and town administrative body authorized for finance, (hereinafter: temporary suspension of execution) for no longer than 45 days.

Temporary suspension of execution can:

1. Stop creation of short-term obligations;
2. Propose prolonging of agreed payment dates;
3. Stop obtaining the approvals for concluding of contracts.
4. Stop transferring of resources by the planned amounts for the quarter or some other time period.

The budget executor, in cooperation with the budget beneficiaries, shall prepare the proposal of the scope and measures of temporary suspension of the execution.

Measures of the temporary suspension of execution must apply to all budget beneficiaries.

The Government shall inform the Parliament on the decision from Paragraph 1 of this Article., i.e. authorized executive body of municipality and town shall inform the municipal and town assembly.

Budget reserve

Article 37

The budget reserve resources can be used for:

1. Covering of unpredicted expenditures for which the resources have not been planned in the budget;
2. Budget expenses for which the planned resources during the year prove to be insufficient;
3. Temporary execution of budget obligations due to reduced scope of budget resources.

Article 38

The maximum of 2,5% of total revenues for the budget year is being allocated to budget reserve.

Article 39

The budget executor is obliged to inform the Government every month, i.e. the municipal and town authorized executive body, on use of budget reserve resources.

The Government, i.e. the municipal and town authorized executive body, shall quarterly inform the Parliament, i.e. the municipal and town assemblies, on use of budget reserve resources.

Report on budget execution

Article 40

The Ministry shall quarterly inform the Government on the Republic budget execution for each quarter of the current fiscal year.

The Government shall quarterly inform the Parliament on the Republic budget execution for each quarter of the current fiscal year.

Quarterly reports on the Republic budget execution from the Paragraphs 1 and 2 of this Article contain:

1. Overview of the fiscal situation and macroeconomic trends;
2. Parallel overview of planned and realized incomes, expenses, deficits and borrowings and explanations of possible discrepancies;
3. Proposal of measures for improvement of the situation if the circumstances require.

Article 41

The Ministry is obliged to submit the report on the Republic budget execution for the first half of the current fiscal year till August 31 of the current fiscal year under the procedure from the Article 40 of this Law..

Article 42

The Ministry is obliged to inform the Government on execution of the Republic budget for the previous fiscal year till April 30 of the current fiscal year, the latest.

The Government is obliged to inform the Parliament on execution of the Republic budget for the previous fiscal year till May 31 of the current fiscal year.

The execution report from the Paragraph 1 and 2 of the current fiscal year contains:

1. Budget resources and expenses that were approved by the Parliament for the Republic budget of previous year;
2. Realized budget resources and expenses during the previous fiscal year that are presented in such way that the difference between the approved budget and its execution is clearly evident;
3. Initial and final balance of the Single Treasury Account;
4. Initial and final balance of fixed assets, obligations and ownership sources;
5. Explanation for larger discrepancies;
6. Data on all borrowings and debt management;
7. Data on use of budget reserve;
8. Data on guarantees approved during the previous fiscal year.

Article 43

Provisions of the Article 40 of this Law also relate to the municipalities, towns and funds, in the appropriate way.

Reports on execution of the municipal and town budgets for each quarter of the current fiscal year shall be submitted to the Ministry within 15 days as of the day of adoption.

The reports on execution of funds financial plan shall be submitted to the Ministry within 15 days as of the day of adoption. The Ministry shall inform the Government on execution of the funds financial plan for each quarter of the current fiscal year.

Article 44

For execution of the Republic budget the Government is responsible to the Parliament.

For execution of the municipal and town budgets, the municipal and town executive bodies are responsible to the municipal and town assemblies.

For execution of the funds financial plan, the funds are responsible to the Government.

The budget and funds financial plan execution report shall be submitted in a manner defined by this Law.

V BORROWING AND DEBT OF THE BUDGET

Borrowing and debt of the Republic budget

Article 45

Borrowing incurred by the Republic must be planned ahead and presented in the budget for each fiscal year that the borrowing relates to.

Article 46

The annual Republic budget shall determine the upper limit of total debt, which includes the amount of present debt and new borrowings for that fiscal year.

The annual Republic budget shall determine the total amount of guarantees.

Article 47

The Republic debt can be in a form of credit and (or) issue of securities.

Detailed records on a holder of securities from the Paragraph 1 of this Article shall manage, on behalf of the Republic, a financial institution for that purpose authorized by the Ministry.

Article 48

The decision on each individual debt and guarantee of the Republic shall be approved by the Parliament on the Governments proposal.

The decision under Paragraph 1 of this Article shall be passed in accordance with the amounts and purposes determined in the Republic budget.

Contracts on borrowings of the Republic budget and issuance of guarantees shall be signed by the Minister.

The Minister shall decide on the form of credits and type of insurance instrument for a credit repayment.

Article 49

The Ministry shall maintain the records of debt, issued guaranties and credits.

The Republic Treasury is authorized for management of debt, guaranties and credits.

Article 50

All interest and repayment of debt principal and guarantees of the Republic shall be covered from the Single Treasury Account in accordance with the conditions and deadlines agreed by the Republic.

Article 51

The Decision on borrowing, guaranties and credits shall be published in the "Official Gazette of Republika Srpska".

Borrowing and debt of municipal and town budgets

Article 52

The municipalities and towns can borrow from the Republic budget with an agreement of the Ministry for the following:

1. Investment expenditures, and
2. Covering of short-term deficit that occurred due to unpredicted current expenditures or because of fluctuation of revenues during the fiscal year.

Total amount of resources under Paragraph 1 of this Article, borrowed in the course of the fiscal year, must be returned to the Republic budget by December 31 of the same year.

Article 53

The municipalities and towns can borrow in the country and abroad with a purpose to finance capital investment expenditures up to 10% of realized budget in the previous fiscal year.

Proposal of the decision on borrowing from the Paragraph 1 of this Article shall be passed by the municipal, i.e. town assembly.

Adopted on September 13, 2002

The Ministry is providing the agreement for borrowed amount that is exceeding the limit from Paragraph 1 of this Article.

Article 54

Sum of total obligations based on borrowing of the municipality, i.e. town, cannot exceed 20% of realized budget of the municipality, i.e. town in the previous fiscal year.

Article 55

Criteria and conditions for the borrowings of the municipalities and towns with the Republic Budget, in the country and abroad shall be issued by the Government.

Article 56

The Government is authorized to subsequently pass a special by-law that will regulate the borrowing and issuance of guarantees to the municipalities, towns and institutions of the Republic public sector.

VI ACCOUNTING, CONTROL AND AUDIT OF THE BUDGET

Adoption of budget accounting regulations

Article 57

The Minister shall pass the Instruction on accounting for the budget and funds financial plan.

The Government shall pass the Decree that will regulate the Treasury General Ledger system and the method of managing the Single Treasury Account.

Article 58

The Minister shall prescribe the implementation of unique accounting rules and pass the regulations on bookkeeping, contents and financial reporting method for all the budget beneficiaries, municipalities, towns and funds.

The Minister can issue special instructions on financial reporting for specific administrative bodies.

Article 59

The Minister is obliged to pass the Instruction on development of annual statement of the budgets and funds by the end of fiscal year.

Development of annual statements of budgets and funds

Article 60

The Ministry, municipalities, towns and funds are obliged to develop the annual statement of the budget and funds by February 28th of the current for the previous fiscal year.

Article 61

Municipalities, towns and funds are obliged to submit to the Ministry their annual statements by March 15th of the current for the previous fiscal year.

Article 62

The Ministry is obliged to develop a consolidated statement of the Republic budget, municipalities, towns and funds by April 15th of the current for the following fiscal year.

Budget control and audit

Article 63

The Ministry shall control the accounting documents of the budget beneficiaries, the budgets of municipalities and towns, and funds.

The control method from the Paragraph 1 of this Article is prescribed by the Minister and can be performed for the specified time period.

Article 64

The budget control department is established within the Treasury Sector in the Ministry.

Article 65

The budget inspector shall create a report on determined situation upon performed control.

The controlled budget beneficiary, municipality, town or a fund, can file a complaint on the report on performed control within three days as of the day of report submission.

Article 66

If the report on performed control states the violation of the Law, i.e. irregularities in Law enforcement, the inspector is obliged, within five days as of the day of report submission, to pass the decision ordering elimination of determined violations of the Law, i.e. irregularities, defining the deadline for the above and prescribing other measures envisioned by the Law.

If determined irregularities are not eliminated within the set deadline, the inspector is obliged to pass the decision on prohibition on reservation of the resources at the Single Treasury Account for the controlled budget beneficiary.

If a municipality, town or a fund do not eliminate identified irregularities within the set deadline, the inspector is obliged to pass the decision on prohibition of transfer of revenues from taxes and contributions from the Single Treasury Account to the account of the municipality, town or fund, which belong to the municipality, town or fund.

Prohibition on disposal of resources shall last until identified irregularities are eliminated.

Article 67

The appeal can be filed on inspector's decision within eight days as of the day of decision receipt.

The appeal is to be submitted to the Minister.

The appeal does not delay execution of the decision.

Article 68

The Minister's decision, made upon appeal, is final in the administrative procedure.

Article 69

The audit of the Republic budget and the funds financial plan shall be performed by an authorized auditor in a manner and within deadlines envisioned by the Law regulating the audit.

VII PENALTY PROVISIONS

Article 70

Fines for violations ranging from 500 KM to 1700 KM shall be imposed on individuals accountable for the budget beneficiary, authorized for budget and the funds, if:

- 1.
2. Approve the borrowing of the municipality or town contrary to provisions of the Articles 53 through 57 of this Law;
3. Do not respect provisions of the Articles 15 through 28 of this Law in preparation and adoption of the budget;
4. Do not respect the provisions of Articles 32 and 33 of this Law in preparation and adoption of the funds financial plan;
5. The budget is not adjusted with the provisions of Article 13 of this Law;
6. The funds financial plan does not include the parts prescribed by the provisions of Article 31 of this Law;
7. The reports on budget execution do not include the parts prescribed by the provisions of Articles 41 and 44 of this Law;
8. The reports on the budget and funds financial plan execution are not submitted within the deadlines set in the provisions of Articles 41 through 44 of this Law;
9. Do not respect the provisions of the Articles 34 through 40 of this Law in the budget execution;
10. Conduct borrowing contrary to the provisions of Articles 47 through 57 of this Law;
11. Do not respect the provisions of Article 61 and 62 of this Law.
12. Do not eliminate found irregularities within the given deadline and in accordance to the provisions of the Article 67 of this Law.

VIII TRANSITIONAL AND CLOSING PROVISIONS

Article 71

The Government shall pass the by-laws for implementation of this Law.

Adopted on September 13, 2002

Article 72

As of the day this Law comes into force, the Law on Budget of Republika Srpska (“Official Gazette of Republika Srpska # 4/00) shall be put out of effect.

Article 73

This Law shall come into force on the 8th day as of the day of publishing in the “Official Gazette of Republika Srpska”.

President of National Assembly
Dragan Kalinic