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LAW ON THE BUDGET SYSTEM OF REPUBLIKA SRPSKA

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LAW ON THE BUDGET SYSTEM OF REPUBLIKA SRPSKA

I – GENERAL 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 Funds.

This Law shall regulate:

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

Definitions

Article 2

1. *Budget* is a common expression for the budget of Republika and the budgets of municipalities and towns.
2. *The budget of the Republika* is an estimate of annual revenues, grants and financing, as well as an estimate of expenditures and other expenses at the level of the Republika.
3. *The budget of municipalities and towns* is an estimate of annual revenues, grants and financing and an estimate of expenditures and other expenses of municipalities and towns.
4. *Budget reserve* represents a part of planned budget revenues that is not allocated in advance, but based on special decisions of the Republika Government (hereinafter: Government), or of the relevant executive body of municipalities and towns.
5. *Memorandum on the budget* (hereinafter: the Memorandum) is an act that contains a review of the economic and fiscal policies of the Government and their impact on the budget, as well as an estimate of revenues and expenditures by main types, for the following fiscal year.
6. *The fiscal year* is a 12 month period, that starts from January 1, and ends on December 31 of the calendar year.

7. *The Decision on budget adoption* is an act 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 act passed by the Funds that contains an estimate of revenues and receipts, as well as of expenditures and other expenses for a fiscal year.
9. *Borrowing* means contracting loans or issuing securities.
10. *Debt* means monetary obligation or liability for repayment of borrowed funds.
11. *Budget executor* is the Ministry of Finance (hereinafter: the Ministry), i.e. the municipal or town administrative body in charge of finance.
12. *Budget beneficiaries* are the bodies and institutions of the Republika, i.e. of municipalities and towns, and other beneficiaries financed from the budget in accordance with the Law.
13. *Funds* are legal entities financed from the special purpose (earmarked) contributions and they include:
 - Pension and Invalid Insurance Fund of the Republika,
 - Health Insurance Fund of the Republika,
 - Public Child Care Fund of the Republika,
 - Employment Bureau of the Republika.
14. *Budget resources* represent the total inflow into the budget.
15. *Public revenues* are tax revenues and other revenues, which are financing the rights and obligations of the Republika, as well as the tasks and activities of municipalities, towns, and Funds established by the Constitution and Law.
16. *Grants* are non-repayable resources that represent the budget revenue for which there is no liability for repayment to domestic and (or) foreign donors.
17. *Financing* stands for the resources of long-term and short-term credits and borrowings to the Republika, municipalities and towns, the resources realized as proceeds from the sale of state owned capital, and received repayments of credits and loans extended in the country and abroad.
18. *Budgetary expenditures* represent the total expenditures and other out-payments from the budget.
19. *Long-term obligation* (hereinafter: borrowing) stands for the resources that the budget beneficiaries reserve based on a contract or other binding legal enactment, that are going to represent a cash expense during several fiscal years.
20. *Budget surplus* represents a positive difference between the revenues and expenditures at the end of a fiscal year.
21. *Budget deficit* represents a negative difference between the revenues and expenses at the end of a fiscal year.
22. *Public Revenues Account* is the account to which all the payments of public revenue are made for the Republika, municipalities, towns and Funds, and out of which funds are distributed to single treasury accounts, special purpose accounts and accounts of other budget beneficiaries.
23. *Main Treasury Ledger* is a system of bookkeeping records of all financial transactions within the budgets of RS, of municipalities, towns and Funds, i.e. of revenues and expenditures, resources, funds sources and liabilities in accordance with the prescribed Chart of Accounts and at the level of relevant classification (Fund-based, organizational, economic, sub-economic, functional and program-based).

24. *Debt repayment* means annual debt repayment as a portion of the overall debt and it equals the sum of the principal installments and interest paid in the current fiscal year.
25. *Single Treasury Account* is the account to which funds are paid for Republika, municipalities, towns and Funds from the public revenue accounts or directly, and out of which all payments are made on behalf of Republika, municipalities, towns and Funds.
26. *Special purpose account* is the account opened by the RS Treasury or the Treasury of a municipality, town or Fund, at the request of a budget beneficiary, to which special purpose funds are paid and out of which all payments are made for a respective purpose or project.
27. *Accounts of other beneficiaries* are the accounts of other beneficiaries of public revenue, which enjoy that right by law.

Article 3

The integrity of the budget system is ensured through the common legal basis, a uniform budget classification, use of single set of budget documentation for development of budgets of the Republika, municipalities, towns, and Funds, single budget accounting system, common criteria for budget control and audit and common principles that the budget procedure is based on, in accordance with this Law.

Budget funds

Article 4

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

Article 5

Budget resources and budget expenditures must be balanced.

In case of a decrease or increase of budget revenue or expenditures during a fiscal year, the balancing of the budget shall be conducted through the budget rebalance applying the procedure of budget adoption.

Article 6

Budget resources belonging to the Republika Budget that are shared between the Republika Budget and budgets of municipalities or towns shall be paid from the public revenue accounts automatically to the Single Treasury Accounts of the Republika, and of municipalities and towns, respectively.

Budget resources belonging entirely to the budget of municipalities, or towns, which represent own revenue of local communities, shall be paid from the public revenue accounts of municipalities and towns automatically to the Single Treasury Accounts of municipalities or towns. Collection of budget funds is not limited by the amounts indicated in the budget.

Budget revenues

Article 7

Revenues that belong to the Republika Budget are the following:

1. customs;
2. excises, except for the excise on oil derivatives;
3. profit tax;
4. personal 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 proceeds;
5. 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 possession and carrying of weapons;
6. special tax on regular and safe operation of railway traffic;
7. tax on organization of lottery and gambling games;
8. fees and duties, as follows:
 - special duty on imports, pursuant to the Decision on payment of special duty on imported goods,
 - special duty on imported goods,
 - special duty paid on export of products,
 - administrative fees at the level of Republika,
 - court fees at the level of Republika,
 - special fees at the level of Republika,
 - other fees at the level of Republika;
9. charges
 - charges on use of natural and other resources of general interest;
 - special water charges,
 - charges, i.e. resources for environmental protection;
 - charge on use of other resources of general interest;
10. fines except those from Article 9, sub-paragraph 3 of this Law;
11. revenues from illegally gained property and profits;
12. other revenues as follows:

- own revenues earned by budget beneficiaries through their activities (regular, supplementary, donor funds, etc.), that are not contrary to the law that regulates their activities, with the approval of the competent ministry and in the percentage defined by the Budget Execution Law or the Budget Execution Decision.
- other revenues of the Republika budget.

Article 8

Revenues shared by the Republika 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 Republika budget and the budgets of developed municipalities in proportion 70:30;
 - Between the Republika budget and the budgets of medium-developed municipalities in proportion 60:40;
 - Between the Republika budget and the budgets of underdeveloped municipalities in proportion 50:50;
 - Between the Republika budget and the budgets of exceptionally underdeveloped municipalities in proportion 40:60;
 - Between the Republika budget and budgets of towns in proportion 65:35.

The method of distribution of revenues from sales tax between the budget of municipalities constituting a town and the budget of a town shall be determined by the town statute.

2. Excise on oil derivatives shall be shared by the Republika budget and municipal budgets in proportion 92,50:7,50.
3. Road fee that is paid on registration of motor vehicles shall be divided between the Republika budget and municipal budgets in proportion 85:15.
4. Tax on citizens income:
 - Tax on income from independent activity (self employment???, *translator's note*)
 - Tax on personal income
 which shall be divided between the Republika budget and municipal budget in proportion 75:25.
5. Charge on changed use of farming land, shared by the Republika budget and municipal budgets in proportion 50:50.
6. Charge on use of mineral raw materials, shared by the Republika budget and municipal budgets in proportion 30:70.

7. Confiscated property and proceeds obtained by sale of confiscated objects, falling under jurisdiction of the Republika market inspection, shared between the Republika budget and municipal budgets in proportion 70:30.

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 imposed in minor offence procedures for offences regulated by municipal enactments,
4. municipal administrative fees,
5. communal fees,
6. municipal fees for use of natural and other resources of general interest;
7. tax on income from lottery games
8. other municipal revenues,

Article 10

The revenue of the Funds include:

- contributions
- aid (grants, *translator's note*) and
- other revenues

Article 11

Introduction of new criteria, and elimination or changing of the existing criteria for reallocation of the budget revenues belonging to the Republika, municipalities, towns or Funds, from Articles 7, 8, 9 and 10, may only be imposed by law.

Reallocation of revenue among the budgets of Republika, municipalities and towns may be decided upon by the Government only in exceptional cases, if the law allows it.

Budget surplus and deficit

Article 12

The Annual Budget shall determine the method of use of the surplus, or the method of the deficit financing.

The budget surplus shall be distributed based on decisions of the Parliament, i.e. municipal and town assemblies, respectively.

The budget deficit shall be financed by borrowing in the country and abroad, as regulated under the Articles 46 through 57 of this Law.

The budget surplus shall be primarily used to cover budget deficits from previous fiscal years.

II PREPARATION AND ADOPTION OF THE BUDGET

Budget preparation

Article 13

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

The uniform budget classification includes the economic classification of budget funds and budget expenditures, as well as the organizational and functional classification of the budget expenditures.

Economic classification of the budget funds states the budget funds in accordance with the legal regulations that define the sources of budget funds. Economic classification of the budget expenditures presents types of expenditures and is contained in the Chart of Accounts for budget beneficiaries.

Organizational classification presents the budget expenditures by budget beneficiaries, with the break-down by individual beneficiaries.

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

The budget shall be prepared, adopted and executed at the level of the budget organization or spending unit.

Budget calendar

Article 14

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

Article 15

The calendar of the Republika 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 method and elements of draft budget development for the following fiscal year.
- September 1st** – budget beneficiaries shall submit their 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 Funds.
- October 15th** – the Ministry shall submit budget draft for the following fiscal year to the Republika Government
- November 5th** - the Government shall adopt the Republika budget draft for the following fiscal year and submit it to the Assembly for adoption.
- November 15th** – the Assembly shall adopt the Republika budget draft for the following fiscal year.
- December 1st** - The Government shall adopt the Republika budget proposal for the following fiscal year and submit it, along with the final Memorandum, to the Assembly.
- December 15th** – the Assembly shall adopt the Republika budget for the following fiscal year.

Article 16

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

- July 5th** – the municipalities and towns shall analyze the preliminary Memorandum.
- July 20th** – the municipal and town administrative body in charge of finance shall issue to the budget beneficiaries the Instruction for preparation of municipal or town budget drafts respectively, for the following fiscal year.
- September 15th** – the budget beneficiaries shall submit their budget requests for the following fiscal year to the municipal and town administrative body in charge of finance.
- October 15th** – the municipal and town administrative body in charge of finance shall develop the municipal and town budget drafts respectively, taking into account the guidelines contained in the final Memorandum.
- November 1st** – the competent executive municipal and town administrative body shall adopt the municipal and town budget drafts respectively, and submit them to the Ministry.
- November 20th** – the Ministry may issue recommendations and directions to the municipal and town administrative body in charge of finance, for the development of the municipal and town budget proposal.
- December 5th** – the executive body of the municipality and town shall adopt the municipal and town budget proposals 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 in charge of finance shall submit to the Ministry the adopted budget for the following fiscal year.

Article 17

The deadlines from the Articles 15 and 16 are the final deadlines in the budget calendar.

Development of the Republika Budget Draft

Article 18

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

The Instruction shall contain:

1. basic economic assumptions and guidelines for preparation of the Republika budget;
2. an estimate of revenue and expenditures of the Republika 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 Republika budget development and preparation of the budget beneficiaries requests for the following fiscal year.

Article 19

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

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

Article 20

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

The budget request from paragraph 1 of this Article consists of three parts, namely:

1. request for current expenses, with the data on existing activities and services provided by the budget beneficiary;

2. request for additional funds for current activities, where the financing cannot be kept within the limits contained in the Instruction, with the proposal of priorities that need 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 funds for capital projects initiated in the previous fiscal years and for the new capital projects, as priorities that need to be considered in the process of the budget adoption for the following fiscal year.

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

Written explanation of the request from paragraph 2, point 1, of this Article, is required to contain the data on the budget beneficiary's organizational structure, activities and services, and overview of assets and employees essential for the activities and services covered by current expenses.

Written explanation of the request from paragraph 2, point 2 of this Article is required to contain description and reasons for activities for which additional resources and staff are requested.

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

Article 21

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

1. Objectives in respect of revenues and expenditures;
2. Data and explanations pursuant to Article 20 of this Law;

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

The competent ministries that have lower units within their structure shall submit a report on proposed revenue and expenditure amounts to those lower organizational units.

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

In case of the agreement under the paragraph 4 of this Article not being reached, the Government shall decide.

The Ministry shall develop the draft budget of the Republika for the following fiscal year.

Development of the municipal and town budgets

Article 22

The municipal administrative body in charge of finance, pursuant 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 paragraph 1 of this Article shall contain:

1. Basic economic assumptions and guidelines for the draft budget preparation for municipalities and towns for the following fiscal year;
2. Description of the planned policy of local authorities;
3. Estimates of budget funds 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 funds in the following fiscal year.
5. Procedure and dynamic of preparation of the municipal and town budgets.

Article 23

Provisions from Articles 20 and 21 of this Law shall apply to the municipalities and towns in the appropriate manner.

Budget proposal

Article 24

The procedure of formulating the Republika budget proposal is the following:

1. The Ministry shall submit the Republika budget draft for the following fiscal year to the Government;
2. The Government may request that the Ministry presents additional information and explanations related to the Republika budget draft;
3. The Government shall decide on changes to the Republika budget draft;
4. The Government shall adopt the Republika budget draft for the following fiscal year and pass it on to the Assembly for public debate;
5. The Government shall define the Republika budget proposal in accordance with the conclusions passed by Assembly the upon the completion of public debate on the draft budget, and submit it to the Assembly, along with the Memorandum.

Article 25

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

1. Municipal/town administrative body in charge of finance shall submit the municipal/town budget draft to the competent executive body of the municipality/town;
2. Competent municipal/town executive body may request that the municipal/town administrative body in charge of finance presents additional information or explanations that relate to the municipal/town budget draft for the following fiscal year;
3. Competent municipal/town executive body shall adopt the municipal/town budget draft, define the budget proposal and submit it to the Ministry for their approval;
4. Competent municipal/town executive body shall submit the municipal/town budget proposal along with the obtained approval of the Ministry to the municipal/town assembly.

Article 26

The Assembly shall, on the Government's proposal, adopt the Republika budget and the Decision on adoption of the Republika 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 27

The Assembly shall pass the Budget Execution Law, at Government's proposal.

Municipal, i.e. town assemblies shall pass the Decision on the municipal, i.e. town budget execution for the fiscal year for which the budget is to be adopted for, at proposal of the mayor of municipality, i.e. town respectively.

Article 28

The National Assembly may introduce changes to the proposed Republika budget, and municipal/town assemblies may introduce changes to their respective budgets, in accordance with the following principles:

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

Budget announcement

Article 29

The Republika budget shall be published in the “Official Gazette of Republika Srpska”.

The municipal and town budgets shall be published in the “Official Gazette of Republika Srpska” or local official newspapers of municipalities/towns.

Fiscal year and temporary financing

Article 30

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

In the case when the Assembly, i.e. the municipal and town assemblies do not adopt the budget prior to the beginning of the fiscal year, the Assembly, i.e. municipal and town assemblies, shall pass the Decision on temporary financing that applies to the period from January 1st. to June 30th. at longest, in the current fiscal year.

Temporary financing, under paragraph 2 of this Article, shall be planned in proportion with the resources used in the budget in the same period of the previous fiscal year, and up to one half, at maximum, of the total revenue allocated in the budget of the previous fiscal year.

III PREPARATION AND ADOPTION OF FINANCIAL PLANS FOR THE FUNDS

Preparation of financial plans for the Funds

Article 31

The funds shall prepare a financial plan that consists of:

- Revenues and receipts,
- Expenditures and
- Financing.

The method of presentation of the revenues and receipts, expenditures and financing must be harmonized with the accounting regulations.

The financial plan of the Funds shall be prepared, passed and executed on the basis of economic classification.

Calendar of financial plan of the Funds

Article 32

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

July 15 – Funds shall analyze the preliminary Memorandum,

October 5th – Funds shall analyze the final Memorandum.

November 15th – Funds shall formulate the financial plan draft for the following fiscal year, taking into consideration guidelines given in the final Memorandum, and submit it to the competent Ministry authorized to propose changes and amendments to it.

December 1st – along with adoption of the Republika budget proposal, the Government shall give its approval for the financial plan proposal for the Funds for the following fiscal year.

December 15th – the competent body of the Fund(s) 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 financial plan for the Funds.

Adoption of the financial plan for the Funds

Article 33

The competent body of the Fund(s) shall adopt the financial plan for the following fiscal year.

The financial plan proposal shall be subject to the Government's approval.

IV BUDGET EXECUTION

Budget liquidity

Article 34

The budget executor shall plan the budget liquidity based on the budget revenues and expenditures within the framework of plans for the budget execution.

Budget execution plan represents an overview of planned budget revenues and planned expenditures in a defined period of time.

Article 35

Budget beneficiaries may incur liabilities and use funds only for the purposes provided for by the Budget, up to the planned amounts and in accordance with the funds available.

No budgetary obligations can be created by any other act, unless funds have been allocated for such obligations in the budget.

Payments of full contracted amounts or partial contracted amounts to the vendors who provided goods, materials or services to budget beneficiaries shall not be made if the funds for the specific purpose

- have not been planned,
- have not been planned in the sufficient amount,
- have been partially or entirely spent during the budget year.

Budget beneficiaries shall use planned budget funds in accordance with the priorities set by the budget executor.

Budget beneficiaries should be guided by the principles of prudence and economy in their use of funds allocated in the budget.

Article 36

Reallocation of funds among budget beneficiaries and among spending units within one budget beneficiary shall be regulated by the annual Budget Execution Law or by the Decision that regulates budget execution.

Temporary suspension of the budget execution

Article 37

In case that the expenditures increase or revenues decrease during a fiscal year, the Government, upon the Ministry's proposal, or the competent executive body of the municipality/town upon proposal of the municipal/town administrative body in charge of finance, may pass the decision on suspension of execution of individual expenses (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 extension of agreed payment dates;
3. Stop giving approvals for concluding of contracts.
4. Stop transfers of resources in 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 Assembly on the decision from Paragraph 1 of this Article, and the competent executive body of municipality and town shall inform the municipal and town assembly respectively.

Budget reserve

Article 38

The budget reserve funds may be used for:

1. Covering of contingency costs 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 amount of budget resources, and
4. Exceptionally, for other purposes in accordance with the Government's decisions.

Budget reserve funds shall be used pursuant to the act issued by the Government, or by the competent municipal or town body.

Article 39

The maximum of 2,5% of total revenues in a fiscal year shall be set aside as the budget reserve.

Article 40

The budget executor is obliged to report to the Government, i.e. the municipal and town competent executive body, on the use of the budget reserve funds on a quarterly basis.

The Government, i.e. the competent municipal/town executive body, shall report to the Assembly, i.e. the municipal and town assemblies respectively, on the use of the budget reserve funds on a semiannual and annual basis.

Reporting on the budget execution

Article 41

The Ministry shall report quarterly to the Government on the Republika budget execution during the current fiscal year.

The Ministry is obliged to submit the Republika budget execution report for the first quarter of the current fiscal year to the Government by April 30. of the current fiscal year.

The Ministry is obliged to submit the Republika budget execution report for the period from January 1. to September 30. of the current fiscal year to the Government by October 31. of the current fiscal year.

The reports on the Republika budget execution for periods from January 1. to March 31, and from January 1. to September 30. of the current fiscal year shall contain:

1. Overview of the fiscal situation and macroeconomic trends;
2. Parallel overview of planned and realized revenues, grants and financing, as well as of expenditures, with explanations of possible discrepancies;
3. Statement of the Republika borrowings and
4. Proposal of measures for improvement of the situation, if so required by the circumstances.

Article 42

The Ministry is obliged to submit the report to the Government on the Republika budget execution for the first half of the current fiscal year by August 31. of the current fiscal year.

The Ministry is obliged to submit the report to the Government on the Republika budget execution for the previous fiscal year by April 30. of the current fiscal year.

The Government shall report to the Assembly on the Republika budget execution on semiannual and annual basis.

The Government is obliged to report to the Assembly on the Republika budget execution for the first semester of the current fiscal year by September 30. of the current fiscal year.

The Government is obliged to report to the Assembly on the Republika budget execution for the previous fiscal year by May 31. of the current fiscal year.

Article 43

The Republika budget execution report from Article 42 shall contain:

1. Budget funds and expenditures that were approved by the Assembly for the Republika budget of previous year;
2. Realized budget funds and expenditures during the previous fiscal year that are presented in such a manner so that the difference between the approved budget and its execution is clearly visible;
3. Explanation for larger discrepancies;
4. Data on all borrowings and debt management;
5. Data on the budget reserve use;
6. Data on guarantees approved during the previous fiscal year.
7. Opening and closing balance sheets of the Single Treasury Account and of special purpose accounts;

In addition to the a.m. items, the Republika budget execution report for the previous fiscal year must include the opening and closing statements of fixed assets, liabilities and property sources.

Article 44

Provisions of Article 41 of this Law shall apply accordingly to the municipalities, towns and Funds.

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 from the day of their adoption.

Reports on the financial plan execution of the Funds shall be submitted to the Ministry and to the ministry competent for the respective Fund, within 15 days from the day of their adoption. Upon receiving the opinion from the Ministry, the competent ministry shall inform the Government on the execution of the Funds financial plans for each quarter of the current fiscal year.

Article 45

The Government shall be responsible to the Assembly for the execution of the Republika budget.

The executive municipal and town bodies shall be responsible to the municipal and town assemblies respectively for the execution of the municipal and town budgets.

The Funds shall be responsible to the Government for the execution of the Funds financial plans.

The reports on the execution of budgets and Funds financial plan shall be submitted following the procedure defined by this Law.

V BORROWING, DEBT AND REPAYMENT

Borrowing, debt and repayment of debt of the Republika budget

Article 46

Borrowing by the Republika must be planned in advance and presented in the budget for each fiscal year that the borrowing relates to.

Article 47

The annual Republika budget shall determine the debt amount.

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

Article 48

The Republika debt can be in a form of a credit, issue of securities or guarantees.

Detailed records on securities holders from paragraph 1 of this Article shall be kept, on behalf of the Republika, by a financial institution authorized for that purpose by the Ministry.

Article 49

The decision on each individual debt, guarantee or securities issue by the Republika shall be approved by the Assembly upon the Government's proposal.

The decision from paragraph 1 of this Article shall be passed in accordance with the amounts and purposes defined in the Republika budget.

Contracts on borrowing by the Republika budget and issuance of guarantees shall be signed by the Minister.

Article 50

The Ministry shall maintain the records of borrowing and debt, and shall be in charge of debt management.

Article 51

The repayment of the Republika debt and of liabilities arising from guarantees and issued securities shall be made from the Single Treasury Account and sub-account for foreign debt servicing held with the Central Bank of Bosnia and Herzegovina.

Article 52

The Decision on borrowing by the Republika shall be published in the "Official Gazette of Republika Srpska".

Borrowing and debt of municipal and town budgets

Article 53

Municipalities and towns may borrow from the Republika budget with the approval of the Ministry, for the following purposes:

1. Investment expenditures, and
2. Covering of short-term deficit that occurred due to contingency 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 repaid to the Republic budget by December 31 of the same year.

Article 54

The municipalities and towns may borrow in the country and abroad up to the amount of 10% of their own revenue realized in the previous fiscal year, for the purpose of financing capital investment expenditures and deficit covering.

Article 55

Proposal of the decision on borrowing shall be passed by the municipal, i.e. town assembly.

The approval of the Ministry shall be required for the amount of borrowing that exceeds the limit from previous Article.

Article 56

The Government shall define criteria and conditions for borrowing by municipalities/towns from the Republika budget, in the country and abroad.

Article 57

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

VI ACCOUNTING, CONTROL AND AUDIT OF THE BUDGET

Adoption of the budget accounting regulations

Article 58

The Minister shall pass:

- Rulebook on Accounting Policies
- Order on payment of specific budget revenues belonging to the Republika, municipalities, towns and Funds,
- Rulebook on contents of individual accounts in the framework of accounts for the Republika, municipality, town or Fund budget beneficiaries,
- Rulebook on financial reporting for the Republika, municipality, town or Fund budget beneficiaries,

- Instruction on making the annual account statement for the Republika, municipality, town or Fund budget beneficiaries.

Article 59

The Ministry – Treasury Department - shall pass other bylaws (instructions, guidelines, orders, procedures).

Development of annual statements of budgets and funds

Article 60

Budget beneficiaries and Funds are obliged to make their annual account statements by February 28th of the current year for the previous fiscal year.

The responsibility for accuracy of financial reports at respective levels shall be born by:

- the minister of finance and his assistant in charge of treasury,
- superiors and staff in charge of accounting within budget beneficiaries,
- mayors and heads of financial departments of municipalities/towns
- directors of public Funds and their accounting staff.

Article 61

The Ministry, municipalities, towns and Funds are obliged to develop a consolidated annual statement of the Republika, municipality, town and Fund budget respectively, by March 31. of the current year for the previous fiscal year.

Article 62

Municipalities, towns and Funds are obliged to submit their consolidated annual statements to the Ministry by April 05. of the current year for the previous fiscal year.

The Funds are also obliged to submit their consolidated annual statements to the competent ministry by April 05. of the current year for the previous fiscal year.

Article 63

The Ministry is obliged to make consolidated statement of municipal and town budgets and consolidated statement of Fund budgets by April 30. of the current year for the previous fiscal year.

Article 64

The Ministry is obliged to make consolidated statement of the budgets of Republika, municipalities, towns and Funds by May 20. of the current year for the previous fiscal year.

Budget control, internal control and audit

Article 65

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

Budget beneficiaries shall establish internal control and pass the rulebook on internal control procedures that will regulate procedures and ways for creating liabilities, maintaining bookkeeping records and spending of funds.

The internal control operation shall be based on the annual work plan and shall be continuous throughout the year. Internal control unit is obliged to make a report on the established situation at least twice a year and to submit it to the competent body.

The method of control from paragraph 1 of this Article shall be prescribed by the Minister.

The competent body of the budget beneficiary shall prescribe the method of control from paragraph 3 of this Article.

Article 66

The budget control unit shall be established within the Treasury Department of the Ministry.

Article 67

The Minister shall issue the order on the control of the material-financial operations of the budget beneficiaries in a specific period of time.

Upon completion of the control of the material-financial operations of the budget beneficiary, the inspector shall make a report on the established situation.

If any violations of law or irregularities in the application of law are identified in the report on the conducted control, the inspector shall pass a decision within ten days at latest upon presentation of the report, ordering elimination of violations and irregularities within specified deadlines and prescribing other measures stipulated by law.

The budget inspector is obliged to inform other body on potential reasons for taking measures falling under the competence of such a body.

Article 68

An appeal may be filed against the inspector's decision within 8 days upon receipt of the decision.

The appeal is to be submitted to the Minister of finance – budget control unit.

The budget control unit shall pass the appeal to the Appeals Board. The Ministry of Finance shall appoint members to the Board from among Ministry staff.

The Minister's decision on the appeal shall be final in the administrative procedure.

Article 69

If the identified irregularities are not eliminated after the second instance decision, the inspector shall issue a decision on prohibition of using funds from the Single Treasury Account, business accounts and special purpose accounts of budget beneficiaries.

If a municipality, town or Fund fails to correct identified irregularities pursuant to the second instance decision, the inspector shall issue a decision prohibiting transfer of any tax and contribution revenue from the Public Revenue Account to the account of the municipality, town or Fund, which otherwise belong to the municipality, town or Fund, respectively.

The budget inspector shall submit the decision on prohibition from paragraphs 1 and 2 of this Article to the Minister – Treasury Department, and to the banks where the budget beneficiary keeps business accounts and special purpose accounts.

The prohibition shall remain in force until all identified irregularities are removed.

Article 70

The audit of the Republika budget and of financial plans of the Funds shall be conducted by the authorized auditor in a manner and within deadlines envisioned by the Law regulating the audit.

VII PENALTY PROVISIONS

Article 71

Fines for violations ranging from 500 KM to 1700 KM shall be imposed on the responsible individual of the budget beneficiary, the responsible person in charge of the budget and the responsible person in the Fund, if:

- 1) they fail to transfer the revenue realized by the budget user to the Republika budget in the prescribed percentage and within the set deadline (Article 7, point 12);
- 2) they introduce new or change the existing budget revenue of the Republika, municipality or town contrary to the law (Article 11. paragraph 1);
- 3) they do not comply with provisions of the Articles 15 through 28 of this Law in preparation and adoption of the budget;

- 4) they do not comply with provisions of Articles 32 and 33 of this Law in preparation and adoption of the financial plan for Funds;
- 5) the budget is not harmonized with the provisions of Article 13 of this Law;
- 6) the financial plan for Funds does not include the parts prescribed by the provisions of Article 31 of this Law;
- 7) the reports on execution of the budget and Funds financial plan 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) they do not respect provisions of the Articles 34 through 40 of this Law in the budget execution;
- 10) there is borrowing contrary to the provisions of Articles 47 through 55 of this Law;
- 11) they fail to comply with the provisions of Articles 58 and 59 of this Law.
- 12) they fail to eliminate identified irregularities within the set deadline and in accordance with provisions of Article 69 of the present Law.

VIII TRANSITIONAL AND CLOSING PROVISIONS

Article 72

The Government shall pass implementation regulations relating to this Law.

Article 73

The Law on the Budget System of Republika Srpska (“Official Gazette of Republika Srpska, Nos. 63/02 and 38/03) shall be put out of effect as of the day the present Law comes into force.

Article 74

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

No: 01-1014/03
Date: 6 November 2003,
Banja Luka

Speaker of the National Assembly
Dr. Dragan Kalinic, *manu propria*