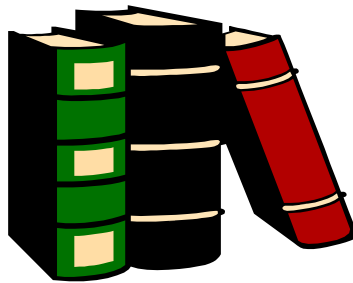




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LAW ON THE FISCAL COUNCIL IN BOSNIA AND HERZEGOVINA

“Official Gazette of Bosnia and Herzegovina”, 63/08

Pursuant to Article IV.4.a) of the Constitution of Bosnia and Herzegovina, at the 32nd session of the House of Representatives, held on 9 and 14 July 2008, and the 19th session of the House of Peoples, held on 23 July 2008, the Parliamentary Assembly of Bosnia and Herzegovina adopted the following

LAW ON THE FISCAL COUNCIL IN BOSNIA AND HERZEGOVINA

Article 1 (Definitions)

(1) *Fiscal objectives* shall for the purpose of this Law mean the primary surplus, or primary deficit.

(2) *Primary surplus*, or *primary deficit* shall mean the difference between the current revenues and the current expenditures corrected by the net interest amount.

(3) *Budgetary calendar* shall be the sequence of activities related to the preparation, adoption and reporting about the execution of the budget of the institutions of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, the Republika Srpska and the Brcko District of Bosnia and Herzegovina.

(4) *The consolidated budget of the Federation of Bosnia and Herzegovina* shall include the budget of the Federation Government, the cantonal budgets, the budgets of local self-government units and the budgets of the extrabudgetary funds.

(5) *The consolidated budget of the Republika Srpska* shall include the budgets of the RS Government, the budgets of the local self-government units, and the budgets of the extrabudgetary funds.

(6) *Global Framework for Fiscal Balance and Policies in Bosnia and Herzegovina* shall mean the document containing the elements for coordination of fiscal policies in Bosnia and Herzegovina, which is adopted in the form of an agreement between the Government of the Federation of Bosnia and Herzegovina, the Government of the Republika Srpska and the Council of Ministers of Bosnia and Herzegovina.

Article 2
(Establishment of the Fiscal Council)

This Law shall establish the Fiscal Council of Bosnia and Herzegovina (hereinafter referred to as: the Fiscal Council) tasked with coordinating the fiscal policy in Bosnia and Herzegovina with the aim of promoting the overall macroeconomic stability and fiscal sustainability of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, the Republika Srpska and the Brcko District of Bosnia and Herzegovina.

Article 3
(Composition of the Fiscal Council)

(1) The Fiscal Council shall be made of six members, and so as follows:

- a) Chair of the Council of Ministers of Bosnia and Herzegovina
- b) President of RS Government,
- c) Prime Minister of the Federation of Bosnia and Herzegovina,
- d) Minister of Finance and Treasury of Bosnia and Herzegovina,
- e) Minister of Finance of the Republika Srpska,
- f) Minister of Finance of the Federation of Bosnia and Herzegovina.

(2) Each constituent people in Bosnia and Herzegovina shall have at least one representative in the Fiscal Council.

(3) The following persons shall attend the sessions of the Fiscal Council as observers without the voting right:

- a) Governor of the Central Bank of Bosnia and Herzegovina;
- b) President of the Brcko District Government.

(4) The Fiscal Council shall be chaired by the Chair of the Council of Ministers of Bosnia and Herzegovina, whereas in case of his inability, by the Prime Minister of the Federation of Bosnia and Herzegovina or the President of the RS Government alternately.

Article 4
(Methods of Operation and Decision-Making)

In order for the sessions of the Fiscal Council to be valid, it shall be necessary that they are attended by at least five of its members. To be legally valid the decisions of the Fiscal Council shall have to be voted for by at least five of its members and no less than by one representative of the constituent peoples in Bosnia and Herzegovina.

Article 5
(Competences and Responsibilities)

The Fiscal Council shall have the following competences and is responsible for:

- a) Coordinating the fiscal policy in Bosnia and Herzegovina,
- b) Adopting the proposed document of the “Global Framework for Fiscal Balance and Policies in Bosnia and Herzegovina”, which shall contain the following parameters:
 - 1) the proposed fiscal objectives of the budget of the institutions of: Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, the Republika Srpska, and the Brcko District,
 - 2) the proposed macroeconomic projections and the projections of the total indirect taxes and their allocation for the next fiscal year,
 - 3) the proposed ceiling of the borrowing of the budget of the institutions of: Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, the Republika Srpska and the Brcko District.
- c) Adopting the proposed short-term and long-term macroeconomic projections,
- d) Monitoring the realization of the set objectives and criteria in issuing and executing the budget, as well as the taking of certain corrective measures and activities;
- e) Establishing full coordination of the activities in complying with the budgetary calendars in preparing, adopting, executing and auditing the budgets of the institutions of: Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, the Republika Srpska, and the Brcko District;
- f) Proposing the priorities in advancing the public finance sector in Bosnia and Herzegovina;
- g) Adopting the Fiscal Council Rules of Procedure and other required regulations necessary for operation of the Fiscal Council;
- h) Adopting the Fiscal Council budget.

Article 6

(Agreement on the Global Framework for Fiscal Balance and Policies)

(1) The proposed document called the “*Global Framework for Fiscal Balance and Policies in Bosnia and Herzegovina*” referred to in Article 5, sub-paragraph 1 of this Law shall be issued for the following three years, reviewed every year and adopted in the form of an agreement between the Government of the Federation of Bosnia and Herzegovina, the RS Government, and the Council of Ministers of Bosnia and Herzegovina.

(2) The agreement referred to in paragraph (1) of this Article shall be signed by: the Chair of the Council of Ministers on behalf of the Council of Ministers of Bosnia and Herzegovina, the Prime Minister of the Federation of Bosnia and Herzegovina on behalf of the Federation of Bosnia and Herzegovina, and the Prime Minister of the Republika Srpska on behalf of the Republika Srpska.

Article 7
(Adoption of the Framework Budget Document)

(1) In accordance with the Agreement made as referred to in Article 6 of this Law, the Council of Ministers of Bosnia and Herzegovina, the Government of the Federation of Bosnia and Herzegovina and the RS Government shall respectively adopt the their Framework Budget Documents (FBDs).

(2) Any potential revision of the Framework Budget Documents due to the change in macrofiscal projections shall be conducted as provided in paragraph (1) of this Article.

Article 8
(Budget Adoption)

The Council of Ministers of Bosnia and Herzegovina, or the Government of the Federation of Bosnia and Herzegovina or the RS Government shall respectively, in accordance with the adopted FBDs, propose and forward to the Parliamentary Assembly of Bosnia and Herzegovina, or to the Parliament of the Federation of Bosnia and Herzegovina, or to the Republika Srpska National Assembly as appropriate, into the relevant procedure the Budget for the coming year for adoption in accordance with the budgetary calendar.

Article 9
(Fiscal Council Advisory Group)

(1) The responsibility for the preparation and proposal of the decisions and other legal acts issued by the Fiscal Council, shall be awarded by this Law to an Advisory Group whose members shall be delegated by the Chair of the Council of Ministers of Bosnia and Herzegovina, the President of the Republika Srpska Government, the Federation Prime

Minister, the Minister of Finance and Treasury of Bosnia and Herzegovina, the Federation Finance Minister, the Republika Srpska Finance Minister and the Brcko District Mayor.

(2) The Fiscal Council Advisory Group shall have seven (7) permanent members and so two (2) members on behalf of the Council of Ministers, two (2) on behalf of the Federation Government, two on behalf of the Republika Srpska Government, and one (1) on behalf of the Brcko District, delegated to the Fiscal Council Advisory Group as described in paragraph 1 of this Article. The permanent Advisory Group may be expanded to include temporary members delegated in the same way as the permanent members.

(3) The method of operation of the Advisory Group shall be further regulated by the Rules of Procedure of the Fiscal Council which shall be issued by the Fiscal Council thirty (30) days after the Fiscal Council Law enters into force.

Article 10 **(Secretariat of the Fiscal Council)**

(1) The Secretariat of the Fiscal Council shall coordinate the activities and operations of the Fiscal Council and the Advisory Group by way of organisational and administrative functions.

(2) The method of operation of the Secretariat of the Fiscal Council shall further be regulated by the Rules of Procedure of the Fiscal Council which shall be issued by the Fiscal Council thirty (30) days after the Fiscal Council Law enters into force.

Article 11 **(Fiscal Council Budget)**

(1) The Fiscal Council budget shall also incorporate the budgets of the Fiscal Council Secretariat and the Advisory Group.

(2) The Fiscal Council Secretariat shall have the obligation to draw up the proposed budget of the Fiscal Council and deliver it for approval to the Fiscal Council, and shall compile the regular reports concerning the budget execution.

(3) The funds required for operations of the Fiscal Council shall be provided by the Council of Ministers of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina and the Republika Srpska in equal proportions (one third each), whereas the implementation of the Fiscal Council Budget shall be carried out through the Ministry of Finance and Treasury.

Article 12
(Removal of Impasse/Delays in the Decision-Making – Unblocking)

(1) In the event that the Fiscal Council has failed to reach the Agreement referred to in Article 6 of this Law, until the deadline foreseen by the budgetary calendar, the Secretariat shall *ex officio* deliver the Technical Information – Failure to Reach the Agreement (Form No. ___) to the Council of Ministers of Bosnia and Herzegovina, the Federation Government, the Republika Srpska Government, as well as to the Parliamentary Assembly of Bosnia and Herzegovina, the Federation Parliament, the Republika Srpska National Assembly.

(2) Should the reasons referred to in paragraph (1) occur by the deadline for adoption of the budget, the Council of Ministers of Bosnia and Herzegovina, the Federation Government and the Republika Srpska Government shall assume the obligation to propose the Decision on Temporary Financing, in accordance with the applicable laws, until the moment of signing of the Agreement.

(3) In the event that the Agreement referred to in Article 6 of this Law is not signed by the end of validity of the Decision on Temporary Financing, the Council of Ministers of Bosnia and Herzegovina, the Federation Government and the Republika Srpska Government shall assume the obligation to propose the framework budgets from the preceding year.

Article 13
(Sanctions)

(1) In the event that the Council of Ministers of Bosnia and Herzegovina, the Federation Government and the Republika Srpska Government have violated the Agreement referred to in Article 6 of this Law, or where in the case of absence of the Agreement they have acted contrary to Article 12, paragraph (2) of this Law, the violating party shall be sanctioned.

(2) Should the reasons referred to in paragraph (1) of this Article occur, the Secretariat of the Fiscal Council shall deliver the Technical Instruction – “Agreement Violation Warning” to the violating party, and shall leave to the party the deadline of sixty (60) days in order for the party to resume the course set under the scope of the Agreement, i.e. the obligations referred to in Article 12, paragraph (2) of this Law.

(3) Should the violating party fail to resume the course set under the scope of the Agreement within the above required period of time i.e. the obligations referred to in Article 12, paragraph (2) of this Law, the party shall have to deposit an amount of 10% out of the amount of downward departure below the established fiscal objective to its own escrow account. The deposited funds may be used exclusively for the settlement of the violating party’s internal debt.

Article 14
(Transitional and Final Provisions)

This Law shall enter into force on the eight (8) day following its publication in the Official Gazette of Bosnia and Herzegovina.

BiH Parliamentary Assembly no. 229/08
23 July 2008
Sarajevo

Chairman
House of Representatives
BiH Parliamentary Assembly
Niko Lozančić, *manu propria*

Chairman
House of Peoples
BiH Parliamentary Assembly
Dr. **Mladen Ivanić**, *manu propria*
