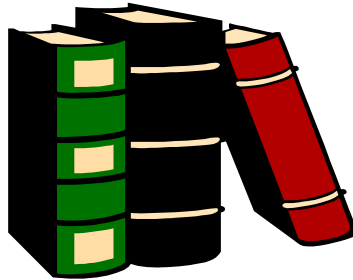




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Department for Legal Affairs



LAW ON THE BUDGETS IN THE FEDERATION OF BOSNIA AND HERZEGOVINA

**“Official Gazette of the Federation of Bosnia and Herzegovina”,
102/13**

[NOTE: On the day of entering into force of this Law, the Law on Budgets in the Federation of Bosnia and Herzegovina, published in the “Official Gazette of the Federation of Bosnia and Herzegovina”, 19/06, 76/08, 5/09, 32/09, 51/09, 9/10, 36/10, 45/10, and 25/12, shall cease to be valid.](#)

[NOTE: Corrigenda to the Law on the Budgets in the Federation of Bosnia and Herzegovina \(in Bosnian, Croatian and Serbian languages\), published in the „Official Gazette of the Federation of Bosnia and Herzegovina“, 9/14, is not included in this translation.](#)

[NOTE: Law on the Amendments to the Law on the Budgets in the Federation of Bosnia and Herzegovina \(„Official Gazette of the Federation of Bosnia and Herzegovina“, 9/14\) is not included in this translation.](#)

[NOTE: Law on the Amendments to the Law on the Budgets in the Federation of Bosnia and Herzegovina \(„Official Gazette of the Federation of Bosnia and Herzegovina“, 9/14\) is not included in this translation.](#)

**PARLIAMENT OF THE FEDERATION
OF BOSNIA AND HERZEGOVINA**

2346

Pursuant to Article IV.B.7. a)(IV) of the Constitution of the Federation of Bosnia and Herzegovina, I hereby enact the following

**DECREE
TO PROMULGATE THE LAW ON BUDGETS IN THE FEDERATION OF BOSNIA
AND HERZEGOVINA**

This is to promulgate the Law on Budgets in the Federation of Bosnia and Herzegovina, adopted by the Parliament of the Federation of BiH at the session of the House of Representatives of 30 October 2013, and at the session of the House of Peoples of 16 December 2013.

No. 01-02-1240-02/13

23 December 2013

Sarajevo

Federation President

Živko Budimir, *manu propria*

**LAW ON THE BUDGETS IN THE FEDERATION OF BOSNIA
AND HERZEGOVINA**

CHAPTER ONE – GENERAL PROVISIONS

Article 1

This Law regulates the planning, preparation, approval and execution of the budget of the Federation of Bosnia and Herzegovina, the budgets of cantons, cities and municipalities (hereinafter: the budget) and financial plans of extra budgetary funds, budget principles, borrowing, guarantees and debt management, public investment program, fiscal responsibility rules, accounting, reporting, supervision and audit of the budget and other budget beneficiaries.

Article 2

The terms used in this Law shall have the following meanings:

1. **appropriation** shall mean the legal authorization contained in the budget granted by the legislative body to budget beneficiaries to make commitments for the purchase of goods, service, works or buildings to be used for the purposes specified in the budget, in the amounts that may not exceed the amounts authorized for such purposes during one fiscal year;
2. **activity** shall mean a part of the program the duration of which is not pre-determined, and which contains a plan of expenditures and outlays for the achievement of objectives set by the program;
3. **planning documents** shall mean projects, plans, programs, strategies, etc.;
4. **gross principal** shall mean presenting all revenues, receipts, expenditures and outlays in full amounts;
5. **budget** shall mean the document which plans the revenue and receipts, and the expenditure and outlays of the Federation of Bosnia and Herzegovina (hereinafter: the Federation), cantons, cities and municipalities, for a period of one fiscal year;
6. **budget outlays** shall mean the outlays for financial and non-financial assets and repayment of loans;
7. **budget and extra budgetary supervision** shall mean a system of control of material and financial operations of budget beneficiaries, legal and natural persons for which/whom the funds are provided in the budget and in the financial plan;
8. **budget inspection** shall mean the control of the implementation of the law in the field of financial operations, the use of funds by budget funds beneficiaries for the intended purpose and in a lawful manner;
9. **budget calendar** shall mean the procedure of preparation and approval of the budgets and financial plans of extra budgetary funds;
10. **budget beneficiaries** shall mean ministries and other administrative bodies, and other entities that are included in the budget as budget beneficiaries;
11. **budget allocation** shall mean the framework amount of funds to cover expenditures and outlays determined for a budget beneficiary on a monthly basis;
12. **budget revenues** shall mean tax and non-tax revenues, received transfers and grants and other revenues;
13. **budget receipts** shall mean the inflows of cash from financial and non-financial assets and borrowing;
14. **budget expenses** shall be specified in the laws and implementing legislation for the functions and programs planned in the budget and financial plans of budget beneficiaries. Budget expense shall include costs of employees' wages and allowances, employer's contributions and other contributions, costs for goods and services, current transfers and other current expenses, capital transfers and interest payments.
15. **budget accounting** shall mean the accounting system regulating the planning, recording, analyzing, supervising and reporting on business events of budget beneficiaries and extra budgetary funds;
16. **grant** shall mean earmarked revenue generated by the budget and budget beneficiaries from natural and legal persons, non-profit organizations, foreign governments, international organizations, and others;
17. **debt** of the Federation, canton, city and municipality shall mean domestic or external debt denominated in local or foreign currency incurred pursuant to the law by borrowing, and shall represent an absolute and unconditional obligation of the Federation, canton,

- city, and municipality;
18. **financial plan** shall mean an act of a budget beneficiary, extra budgetary fund, and extra budgetary beneficiary, specifying revenue and receipts and expenditure and outlays for one year in accordance with this Law;
 19. **financial reporting** shall mean a set of information on the financial standing, operating performance and cash flows of the budget, budget beneficiaries, extra budgetary funds, and of the extra budgetary beneficiaries;
 20. **fiscal year** shall mean the period between January 1 and December 31;
 21. **functional classification** shall mean a set of activities, functions and programs of the Federation, cantons, cities, municipalities, and extra budgetary funds classified according to the specific purpose they serve;
 22. **Treasury General Ledger** shall mean systematic records of transactions and business activities, revenue, receipts, expenditure and outlays, and the balance of assets, liabilities, claims and sources of ownership;
 23. **internal control** shall include the organization, policies and procedures used to ensure that government programs achieve the intended results; that the resources used in such programs are in line with the objectives set by a particular organization; that the programs are protected from loss, fraud and mismanagement, and that reliable and timely information is available for use in reporting, support and decision-making;
 24. **internal audit** shall be an independent body ensuring objective analyses aimed at improving the operations of a particular authority;
 25. **public revenues** shall mean any cash collected from revenues, fees and proceeds from providing services and activities, receipts from issued securities, loans, transfers and grants, that must be deposited in the Treasury Single Account;
 26. **public finance** shall mean the activities of the state and entities relating to the securing of public revenue and execution of public expenditure;
 27. **public investment** shall mean a portion of budget funds planned for investment in significant increase of value of non-financial assets by acquiring infrastructure of general interest, local infrastructure, buildings, land and equipment;
 28. **Treasury Single Account** shall mean a system of bank accounts of the budget, through which payments of revenue and receipts, and payments for expenditure and outlays are made and recorded in the Treasury General Ledger system;
 29. **capital budget** shall mean an overview of outlays for financing capital investment out of the budget, loans, grants and/or other sources;
 30. **consolidation** shall mean the presentation of financial information of several interlinked budgets and/or budget beneficiaries, and of extra budgetary funds as if they were a single entity;
 31. **modified accrual accounting basis** shall be the accounting basis where the revenues are recorded and recognized in the period when they are available and measurable, and expenditures are recognized in the period when the obligation is created;
 32. **net acquisition of non-financial assets** shall mean the difference between the disposal and acquisition of non-financial assets.
 33. **net financing** shall mean the difference between the acquisition of financial assets and borrowing and disposal of financial assets and debt repayments;
 34. **operational plan** shall mean the amount of funds for the covering of expenditures and outlays which shall be approved, upon the proposal of the budget beneficiary, by the

Minister of Finance, mayor or president of municipality, and head of the extra budgetary fund;

35. **European Union aid** shall mean the funds received by the budget through European Union pre-accession programs and funds;
36. **special purpose revenue** shall mean the revenue the use and purpose of which is determined by special legislation;
37. **program** shall mean a set of independent, closely connected activities and projects directed towards achieving a common objective;
38. **project** shall mean an integral part of the program the duration of which is predetermined, and which contains a plan of the expenditure and outlays for the achievement of objectives set by the program;
39. **budget projection** shall mean an estimate of revenue and receipts, and expenditure and outlays of the budget for multiannual planning purposes;
40. **financing account** shall mean the part of the budget that presents the manner of financing of the budget deficit and using of the budget surplus;
41. **budget beneficiary register** shall be an inventory of budget beneficiaries of the Federal, cantonal, municipal, and city budgets;
42. **strategy** shall mean a document containing the vision, strategic goals, manner of achieving such goals, (planning documents), performance measures and a system of performance monitoring;
43. **subsidies** shall mean current transfers provided to producers to encourage the production of certain products and provision of services;
44. **current balance** shall mean the difference between budget revenues and budget expenses. Positive difference between revenues and expenses shall mean current surplus and negative difference shall mean current deficit.
45. **Earmarked transfers** shall mean the transfers provided to other levels of government or extra-budgetary funds from programs coming out of the government budget or out of the funds providing the transfer and usage of which is defined and cannot be used for other purposes;
46. **total surplus/deficit** shall mean the difference between current surplus/deficit and net acquisition of non-financial assets;
47. **overall financial outturn** shall mean the sum of total surplus/deficit and net financing;
48. **extra budgetary fund** shall mean a legal entity, established under the law, financed from earmarked taxes and non-tax revenue, or contributions. Extra budgetary funds, within the meaning of this Law, shall include the Pension and Disability Insurance Fund, Health Insurance Fund, Employment Fund, and other funds established under the law;
49. **extra budgetary beneficiaries**, within the meaning of this Law, shall mean companies, organizations and institutions performing public services, which were established under separate legislation, and other legal entities where the Federation, cantons, cities and municipalities have decisive influence on management on the basis of capital structure;
50. **own-source revenue shall mean the revenue earned by budget beneficiaries performing their basic activity and other budget beneficiary activities in the market;**
51. **borrowing** shall mean taking out loans, or issuing securities;

Article 3

The Budget Beneficiary Register shall be established and maintained by the Ministry of Finance or a finance unit, according to a specified budget classification in accordance with the regulation issued by the Federal Ministry of Finance (hereinafter: the Ministry of Finance).

CHAPTER TWO – BUDGET PRINCIPLES

Article 4

Budget preparation and execution shall be based on the principles of a uniform, accurate, balanced and lawful budget, single year principle, and the principles of universality, efficiency, cost-effectiveness, transparency and participation.

Article 5

Budget funds shall be used for the financing of activities, functions and programs of Federation, cantonal, city and municipal bodies as well as of other budget beneficiaries and for the entitlements of budget funds recipients established by laws and other implementing legislation.

The regulations that have budget implications must be explained and justified by the cost benefit analysis.

Article 6

All revenue and receipts, expenditure and outlays shall be stated in the budget according to the gross principle.

The budget must be balanced in such a manner that total revenue and receipts cover the total expenditure and outlays.

The revenue and receipts shall serve to cover expenditure and outlays, unless this Law and the budget execution law for a particular year stipulate otherwise.

Budget beneficiaries may create commitments to be charged to the budget of the current year only for the purposes and up to the amount specified in the detailed budget section, if all the requirements specified in the law and other legislation have been met.

Article 7

The budgets shall be approved by the Parliament of the Federation of Bosnia and Herzegovina (hereinafter: Parliament), legislative bodies of cantons, or city and municipal councils for the budget year that corresponds to the calendar year, prior to the beginning of the year concerned.

The budgets referred to in paragraph 1 of this Article shall be approved together with the budget execution law or decision, regulating the structure of revenue and receipts, and expenditure and outlays and the execution thereof, payment priorities, volume of borrowing and guarantee issuing, debt management as well as financial and non-financial assets, rights and obligations of the beneficiaries of budget funds, powers of the Government, Ministry of

Finance and Minister of Finance in the execution of the current year budget, penalties failure to perform the obligations, and other issues relating to budget execution.

Article 8

Proposed laws and other regulations and planning documents must contain a fiscal assessment of implications for the budget, which must indicate whether budget revenue or expenditure is to increase or decrease.

Fiscal assessment of implications must include:

1. anticipated revenue and expenditure, as well as budget receipts and outlays for the budget year and the two following years;
2. proposals for covering increased budget expenditures and outlays;
3. proposals for covering reduced revenues and receipts;
4. Ministry of Finance opinion.

If during the course of the year, laws and regulations and planning documents are adopted that generate new obligations for the budget, the funds will be secured in the following year's budget in accordance with projections and capacity.

Article 9

The budget shall be approved and executed in accordance with the transparency principle.

CHAPTER THREE – THE CONTENTS OF BUDGET AND FINANCIAL PLAN

Article 10

The budget shall comprise the General Budget and Detailed Budget sections and the Capital Budget.

The General Budget section shall comprise of the Revenues and Expenses Account, Net Acquisition of non-financial assets Account and Financing Account.

The Detailed Budget section shall comprise the expenditure and outlay plans of budget beneficiaries, presented by type, divided into current and outlays and capital investment.

The capital budget shall comprise allocations for capital investment by year and by source of financing.

Article 11

The Revenue and Expenditure Account shall comprise the following:

- 1) REVENUES
 - a) tax revenues
 - b) non-tax revenues
 - revenue from entrepreneurship and assets,
 - fees and charges,
 - fines,

- property income,
- proceeds from the provisions of public services, proceeds from own activities of budget beneficiaries and own-source revenue,
- received transfers and grants, and
- other revenues.

2) EXPENSES

- employee wages/salaries and reimbursements of expenses,
- employer contributions and other contributions,
- outlays for materials, fittings and fixtures, and services,
- current transfers and other current expenditures,
- capital transfers, and
- interest outlays.

The acquisition of non-financial assets and disposal of non-financial assets shall be presented in the Net Acquisition of non-financial assets Account.

The Financing Account shall present the receipts from financial assets, received loans, and outlays for financial assets, and repayment of loans.

Article 12

The financial plan of an extra budgetary fund shall comprise the general part containing the revenue and expenditure account, and detailed part presenting revenue and receipts, and expenditure and outlays allocated to programs, consisting of activities and projects.

The Federal Minister of Finance (hereinafter: the Minister of Finance) shall prescribe the contents of the financial plan referred to in paragraph 1 of this Article.

Article 13

The financial plan of a budget and extra budgetary beneficiary shall contain programs specified in planning documents.

The programs shall present the planned revenue and receipts, and expenditure and outlays in detail by:

- type of revenue and receipt,
- individual activity and project,
- year in which the budget will be charged.

Programs shall contain:

- program title,
- program description (goals and objectives),
- the legal basis for the introduction of program,
- funds required for program implementation,
- number of employees required for program implementation,
- estimated outcome,
- estimate of contingent expenditures and risks.

Article 14

Budget and financial plan revenue, receipts, expenditure, and outlays shall be presented by budget classification. Budget classifications shall be:

- organizational,
- economic,
- functional,
- program, and
- by fund /sources of funding.

CHAPTER FOUR –BUDGET AND FINANCIAL PLAN PREPARATION

1. Budget Calendar

Article 15

The Budget shall be prepared and approved according to the budget calendar:

- by Feb 15– the Ministry of Finance shall provide budget beneficiaries with Budget Instructions vol. 1 on the manner and elements of Budget Framework Document (hereinafter: BFD) preparation;
- by April 15 - on the basis of instructions, budget beneficiaries shall provide the Ministry of Finance with priority proposals for the preparation of BFD;
- by June 15 - the Ministry of Finance shall prepare the BFD and submit it to the Government of the Federation of Bosnia and Herzegovina (hereinafter: the Government);
- by June 30 - the Government shall adopt the BFD;
- by July 15 – the Ministry of Finance shall publish the BFD on the Ministry website;
- by July 15 - the Ministry of Finance shall provide budget beneficiaries with Budget Instruction vol. 2 – initial budget ceilings and guidelines for preparing budget beneficiary requests;
- by August 15 - budget beneficiaries shall submit budget requests to the Ministry of Finance;
- until September 15 – consultations between the Ministry of Finance and budget beneficiaries about budget beneficiaries’ requests and budget spending priorities;
- by October 15 - the Ministry of Finance shall submit to the Government the Draft Budget for the following fiscal year;
- by November 1 the Government shall approve the Draft Budget;
- by November 5 - the Prime Minister shall submit the Budget Draft with supporting documentation to the Parliament;
- by December 31 - the Parliament shall enact the Budget.

2. Budget Framework Document

Article 16

The BFD shall be an act which contains macroeconomic projections and forecasts of budget resources and outlays for the following three years and on which the preparation and drafting of the budget shall be based.

The BFD preparation procedure shall be initiated by circulation of Instruction vol. 1 concerning the method and elements for the drafting of the BFD, which shall contain: basic economic assumptions and guidelines for the preparation of the BFD, priority overview tables of budget beneficiaries and the schedule and time limits for the preparation of the BFD.

The drafting of the BFD shall be based on the estimation of economic development, social sector development, macroeconomic indicators, and revenue and expenditure forecasts as established in the Economic Policy Paper of the Federation (hereinafter: economic policy).

Three-year Budget planning shall be mandatory for all beneficiaries of budget funds and extra budgetary funds.

A three year financial plans of public enterprises with share of public revenues in total revenues higher than 50% and of those companies that the Ministry of Finance has issued a guarantee for, shall be enclosed as an annex to the BFD.

Article 17

The lead agency in the preparation of economic policy for the following three years shall be the competent authority of the Federation, in keeping with the legislative act. The Government shall approve economic policy not later than March 15 of the current year.

The Government shall, at the proposal of the Ministry of Finance, adopt the guidelines for the economic and fiscal policy for a three year period.

The guidelines shall contain:

1. strategic goals of the Federation economic and fiscal policy;
2. the main macroeconomic indicators of the Federation;
3. the main indicators of the Federation economic and fiscal policy,
4. the assumptions of social and economic development for the budget year and the following two years;
5. estimation of Budget revenue, and
6. anticipated changes in public debt and public debt management strategy.

The Draft Guidelines referred to in paragraph 2 of this Article shall be submitted to the Government by the Ministry of Finance by May 15 of the current year. The Government shall adopt the guidelines by May 31 of the current year which shall be posted on the webpage of the Federal Ministry of Finance.

Article 18

Pursuant to the priority proposals of budget beneficiaries for the drafting of the BFD, the Ministry of Finance shall prepare and submit it to the Government not later than by June 15.

The Government shall discuss and adopt the BFD by June 30 of the current year together with the Medium-term Expenditure Framework for three years, and after that the

BFD shall be submitted to the Parliament in the form of information and posted on the webpage of the Ministry of Finance.

3. Submission of Budget Requests

Article 19

On the basis of guidelines referred to in Article 17 of this Law, the Ministry of Finance shall provide budget beneficiaries with Instructions vol. 2 on the manner and elements of budget proposal preparation for next year and time limits not later than July 15 for the current year.

The Instructions vol. 2, referred to in paragraph 1 of this Article shall contain:

1. the main economic parameters referred to in Article 17, paragraph 3 of this Law,
2. manner of Budget preparation,
3. time limits for Budget preparation, and
4. the expenditure ceiling for the three-year period derived from the BFD for each budget beneficiary.

Article 20

On the basis of Instructions vol. 2 for the preparation of the Budget proposal, budget beneficiaries shall prepare financial plan proposals at the level of the analytical account.

Budget beneficiaries shall submit their financial plans to the Ministry of Finance not later than August 15 of the current year.

The Financial Plan Proposal shall contain:

1. earmarked and own-source revenue and receipts of budget beneficiaries,
2. expenditure and outlays envisaged for the three-year period (the budget year and the following two years) by budget classification, at the level of analytical accounts;
3. planned number of posts and employee structure (for the budget year and the following two years) for which budget funds are requested in accordance with the guidelines, laws and by-laws,
4. the plan of fixed asset procurement that must be harmonized with the financial plan of the budget beneficiary,
5. explanatory notes to the financial plan,
6. the plan of outlays for capital investment by year and financing sources, where the programs have been specified in the BFD, special laws and other regulations,
7. legislation that enables the implementation thereof, and
8. statement on fiscal responsibility from Article 44 of this Law.

Article 21

The explanatory notes to the Financial Plan Proposal referred to in Article 20, paragraph 2, sub-paragraph 5 of this Law shall contain:

1. a brief description of the budget beneficiary's scope of activity,
2. descriptions and explained programs,

3. legal and other basis for the programs,
4. programs aligned with goals, strategy and other long-term development documents,
5. objectives and performance indicators and estimates of the funds needed for the implementation of the programs,
6. report on accomplished program objectives and results based on performance indicators relating to the purview of the budget beneficiary in the previous year, and
7. other explanatory notes and documents.

Article 22

The Plan of Capital Investment Outlays of budget beneficiaries referred to in Article 20, paragraph 2, sub-paragraph 6 of this Law shall contain:

1. program titles,
2. program descriptions (goals and objectives),
3. funds needed for program implementation,
4. the number of employees required for program implementation,
5. an estimate of results, and
6. an estimate of contingent expenditures and risks.

The Plan of Capital Investment Outlays shall state the planned budget expenditure and outlays relating to the implementation of investments, provisions of capital assistance, subsidies and grants in the following three years, with details presented by:

1. individual program,
2. the years in which program expenditure will be charged to the following years' budgets , and
3. sources of financing the full implementation of the program.

The Plan of Capital Investment Outlays shall be updated each year.

Capital investments shall be financed in accordance with the specified investment schedule for each year, on the basis of the BFD.

Article 23

The budget beneficiary shall prepare a Draft Plan of Capital Investment Outlays with explanatory notes to be submitted to the line ministry or body responsible for the budget beneficiary.

The Draft Plan of Capital Investment Outlays referred to in paragraph 1 of this Article must be in line with the Financial Plan Proposal of the budget beneficiary.

The line ministry or the body responsible for the budget beneficiary shall prepare a joint Development Program Plan Proposal that must be in line with the Budget Proposal. An individual program or beneficiary program must be in line with the medium- term development plan documents and budget guidelines.

Budget beneficiaries shall also submit explanations for all discontinued multiannual development programs.

Article 24

The Government shall determine own-source revenues, the manner and timeframe of allocation in a decree.

The revenue estimates and expenditure approval requests submitted by budget beneficiaries shall be accompanied with relevant analyses and explanatory notes.

In the case of capital projects, in the first year, the request must contain the total amount of project expenses, project management plan in phases, and cost estimates for each of the following years.

Article 25

The Ministry of Finance shall consider the revenue estimates and expenditure approval requests of budget beneficiaries and, following the consultations and negotiations with budget beneficiaries, shall propose the amount of funds for each budget beneficiary.

The Ministry of Finance shall submit the draft budget for the following fiscal year to the Government by October 15 of the current year.

If there are any disagreements arising between the Minister of Finance and the ministers responsible for individual budget beneficiaries or other heads of administrative bodies in the process of considering the proposed Draft Budget, the Minister of Finance shall be obligated to prepare a report for the Government, which shall make the final decision on the issue

4. Budget Contents

Article 26

The Draft Budget shall, as a rule, contain:

1. a detailed presentation of all public revenues and receipts of the budget specified in Articles 10 and 11 of this Law,
2. expenditures and outlays of each budget beneficiary stated by category, sub-category, main group, project and source of financing, and
3. proposed distribution of budget surplus, or sources of budget deficit financing.

The Draft Budget shall contain the annual overview of itemized envisaged outlays for investment programs lasting over one fiscal year.

The Draft Budget shall determine the short-term debt ceiling that will enable the Ministry of Finance to cover expenditures and manage cash efficiently.

The Draft Budget shall set the amount of current budget reserve that may not exceed 3% of budget revenue excluding receipts.

The Draft Budget shall be accompanied with explanatory notes containing:

1. macroeconomic indicators and analysis of the effects thereof from the BFD,
2. information on all revenues and expenditures in the previous fiscal year and the report on budget execution in the first half of the current fiscal year for each budget beneficiary,

3. information on current and long-term liabilities arising from external and domestic debt of the Federation (repayment of principal, payment of interest and other liabilities arising from debt), with a debt sustainability analysis,
4. information on capital outlays, and information on guarantees.

5. Financial Plan of the Extra budgetary Fund

Article 27

The extra budgetary fund must prepare a Financial Plan Proposal on the basis of the instructions referred to in Article 19 of this Law and submit it to the competent ministry.

The financial plan of an extra budgetary fund along with the decision on execution of the financial plan shall be adopted by the competent authority specified in the law or an act of such fund, in the manner provided for by such regulation and under the conditions specified in this Law.

In the preparation of the financial plan of the extra budgetary fund, the economic parameters and guidelines referred to in Article 17, paragraph 3 of this Law shall be applied.

The Financial Plan Proposal of the extra budgetary fund must contain revenues and receipts broken down by types and the information referred to in Article 20, paragraph 3 of this Law.

The Financial Plan Proposal of the extra budgetary fund along with the decision on execution of the financial plan shall be submitted to the Government by the competent federal ministry by October 15 of the current year, with the opinion of the Ministry of Finance, which shall be authorized to propose the amendments thereto.

After consideration, the Government shall submit to the Parliament the draft financial plan of an extra budgetary fund, not later than November 5 of the current year.

The Parliament shall approve the financial plan of an extra budgetary fund by 31 December of the current year.

Article 28

The provisions of Articles 3 to 27 of this Law shall be applied *mutatis mutandis* by cantons, cities, municipalities and extra budgetary funds.

CHAPTER FIVE – PUBLIC INVESTMENT PROGRAM

Article 29

For the purposes of management and coordination of development funds in the Federation, the Government, at the proposal of the Ministry of Finance, shall adopt the Public Investment Program of the Federation of Bosnia and Herzegovina (hereinafter: FBiH Public Investment Program).

The FBiH Public Investment Program shall be a three-year document that includes:

1. ongoing projects and programs, for the implementation of which sources of financing have been secured,
2. priority projects and programs for which, at the moment of the FBiH Public Investment Program preparation, it is certain that the funds for their implementation will be secured, and
3. priority projects and programs for which sources of financing have not been secured at the moment of the FBiH Public Investment Program preparation.

The FBiH Public Investment Program shall contain the overview of projects and programs referred to in paragraph 2 of this Article with the data for the fiscal year and the following two years.

The Government shall prescribe the method and criteria for the preparation, drafting and implementation monitoring of the public investment program.

Cantons shall adopt their own Public Investment Programs which shall also include projects of municipalities and cities.

The provisions of paragraphs 2 and 3 of this Article shall apply *mutatis mutandis* to the drafting of the cantonal public investment program.

Article 30

The FBiH Public Investment Program shall be prepared and adopted according to the following calendar:

- by Feb 15 - the Ministry of Finance shall provide competent ministries with project information accompanied with the request to complete the form for the preparation of the FBiH Public Investment Program (hereinafter: IP Form);
- by April 15 – competent ministries shall submit the completed IP forms to the Ministry of Finance;
- by June 15 – the Ministry of Finance shall prepare the Draft FBiH Public Investment Program and submit it to the Government,
- by June 30 - the Government shall adopt the Draft FBiH Public Investment Program;
- by September 15 – consultations on the preparation of the FBiH Public Investment Program Proposal shall be held between the Ministry of Finance and budget beneficiaries,
- by September 25 – the competent ministries shall submit revised IP forms to the Ministry of Finance;
- by October 20 - the Ministry of Finance shall submit the FBiH Public Investment Program Proposal to the Government;
- by November 15 - the Government shall approve the FBiH Public Investment Program.

The contents of the IP form, which shall be identical for the Federation, cantons, cities and municipalities, shall be prescribed by the Ministry of Finance.

Cantons shall submit to the Ministry of Finance their Draft Public Investment Programs by June 1, and the Public Investment Program, once it has been adopted by the cantonal government, by October 5.

The FBiH Public Investment Program submitted to the Government by the Ministry of Finance shall be accompanied with the cantonal public investment programs.

Following the adoption of the FBiH Public Investment Program, the Ministry of Finance shall submit it, together with cantonal public investment programs, to the Ministry of Finance and Treasury, for the purposes of preparation of the Public Investment Program of Bosnia and Herzegovina.

Article 31

The projects from the FBiH Public Investment Program, approved by the Government, shall be implemented by the competent ministries.

The resources intended for the implementation of those projects shall be managed by the competent line ministry.

CHAPTER SIX - BUDGET APPROVAL

Article 32

After the Government has considered and approved it, the Prime Minister shall submit the Budget Proposal for the next fiscal year to the Parliament not later than November 5 of the current year.

The Budget Proposal submitted to the Parliament shall be accompanied by the BFD as information.

Any changes and additions that the Parliament adopts by way of amendments to the proposed Budget may not result in exceeding the amount of the established expenditure and outlay ceiling.

The amendments proposing an increase of budget expenditure and outlays above the amounts set in the Budget Proposal may be accepted provided that at the same time there is a proposal for the reduction of other expenditures and outlays in the detailed part of the Budget.

The Parliament shall enact the Budget by December 31 of the current year.

Article 33

A cantonal Ministry of Finance shall be under an obligation to obtain the opinion of the Ministry of Finance prior to the submission of the Draft Budget to the cantonal Government, regarding the planned revenue and receipts and application of the fiscal rule from Article 43 of this Law.

Municipal and city finance units shall be under an obligation to obtain an opinion of the cantonal Ministry of Finance, prior to submitting their Draft Budget to the Municipal and/or City Council, regarding the planned revenue and receipts and application of the fiscal rule from Article 43 of this Law.

The opinion from paragraphs 1 and 2 of this article are enclosed to draft budget.

Article 34

The cantonal Ministry of Finance shall submit the cantonal budget, the consolidated city and municipality budget, and financial plans of extra budgetary funds to the Ministry of Finance within 15 day of adoption, for consolidation purposes.

1. Temporary Financing

Article 35

In the event that the Parliament fails to approve the Budget prior to the beginning of the fiscal year, the financing of activities, functions and programs of budget beneficiaries shall continue pursuant to the Decision on Temporary Financing.

The Temporary Financing Decision shall be adopted by the Parliament.

Temporary financing shall last no longer than the first three months of the fiscal year.

Temporary financing, within the meaning of paragraph 1 of this Article, shall be performed in proportion to the funds utilized in the same period, not exceeding the three-month average in the preceding fiscal year.

During the period of temporary financing, the same programs shall be financed, and beneficiaries may not increase the number of their staff from the staffing level as at December 31 of the previous year.

Budget beneficiaries may not commence new or broader scope programs and activities until the Budget is enacted.

After the expiry of temporary financing period, the revenues and receipts generated, and expenditures and outlays executed during this period shall be included in the Budget of the current year.

The Budget must be enacted no later than March 31 of the current year.

In the event that the Budget is not enacted by March 31, no expenditures for any purpose shall be realized after that date, except for the repayment of debt, until the Budget is enacted.

2. Temporary Budget Balancing Measures and Budget Amendments

Article 36

If in the budget year, due to the creation of new obligations for the Budget or changes in economic trends, Budget expenditure and/or outlays increase or revenue and/or receipts decrease, the Government may, upon the proposal of the Ministry of Finance, adopt a decision on the suspension of execution of certain expenditures and/or outlays for a period of 45 days.

Under the temporary execution suspension measures, the Government may:

1. stop the commitment creation and/or,
2. propose the extension of contracted time limits for payments and /or
3. stop virements, needed for making commitments.

By way of exception, in addition to the measures referred to in paragraph 2 of this Article, the Government may adopt a decision to the effect that budget beneficiaries may enter into contracts on purchases of goods and services, with prior approval of the Ministry of Finance.

The Government must notify the Parliament of the decision referred to in paragraph 1

of this Article immediately after the decision has been adopted.

Article 37

If the Budget cannot be balanced in the course of implementation of temporary budget execution suspension measures, the Budget shall be amended

The Government must propose Budget amendment to the Parliament within 15 days prior to expiry of the temporary budget execution suspension.

Amendments to the Budget shall be made following the same procedure applied in enactment of the Budget.

In the process of amending the Budget, the Government, upon the proposal of the Minister of Finance, may extend the temporary suspension of execution for individual expenses.

Budget amendments shall rebalance revenues and receipts, and expenditures and outlays of the Budget.

Article 38

The provisions of Articles 32 and 34 through 37 of this Law shall be applied, *mutatis mutandis*, by cantons, cities, municipalities and extra budgetary funds.

CHAPTER SEVEN - FISCAL RESPONSIBILITY

1. Establishment of the Fiscal Coordination Body

Article 39

For the purposes of coordinating fiscal policy in the Federation, the Fiscal Coordination Body of the Federation shall be established with a view to securing macroeconomic stability and fiscal sustainability of the Federation.

Article 40

The Government shall appoint the Fiscal Coordination Body of the Federation, which shall comprise: the Federal Minister of Finance, cantonal Ministers of Finance and a representative of the Association of Municipalities and Cities of the Federation.

Article 41

The Fiscal Coordination Body shall be in charge of and responsible for:

- coordination of fiscal policy in the Federation,

- proposal of fiscal objectives of the budgets of the: Federation, cantons, local self-government units and extra budgetary funds,
- setting of macroeconomic projections and projections of total tax and non-tax revenue in the Federation,
- control of the implementation of the fiscal rules set forth in Article 42 of this Law.
- proposal of budget borrowing ceilings: for the Federation, cantons, local self-government units and extra budgetary funds,
- establishment of the debt stock and projection in the Federation,
- establishment of measures and activities aimed at ensuring the stability of debt servicing,
- establishment of the criteria and amount of new borrowing in relation to overall limitations on borrowing for the coming fiscal year,
- monitoring the fulfillment of the set objectives and criteria with respect to the adoption and execution of the budget, and proposals for correctional measures and activities,
- coordination of activities in the adherence to the budget calendar in the course of the preparation, execution and audit of the budgets of the Federation, cantons, local self-government units and extra budgetary funds,
- proposals for priorities in the promotion of the public finance sector,
- adoption of the proposals for short-term and long-term macroeconomic projections,
- other matters in the field of public finance,
- adoption of the Rules of Procedure and other acts necessary for the functioning of the Fiscal Coordination Body of the Federation.

2. Rules for Strengthening Fiscal Responsibility

Article 42

The proposals of laws, decrees, regulations and other acts that the Government adopts or proposes to the Parliament for adoption shall include the estimate of financial effects on the budget, as well as an opinion of the Government, if the Government is not the proponent of the law.

During the budget execution, the Ministry of Finance may perform financial examination (inspection) to determine whether the budget funds are used lawfully and for the intended purpose.

The examination (inspection) referred to in paragraph 3 of this Article shall be performed by the persons authorized by the Minister of Finance.

Article 43

The planned current fiscal balance of the budget must be either in surplus or balanced, except in the case of a catastrophe or natural disaster declared by legislative body and where determined damages reach or exceed 20 percent of the executed expenditures from the previous fiscal year.

If the current fiscal deficit is executed in a fiscal year, a Government shall offset this through planning and executing current surpluses in the subsequent 3 fiscal years.

Procedures related to borrowing and approval of borrowing by the Federal Ministry of Finance must be implemented in line with provisions of the Law on Debt, Borrowing and Guarantees.

3. Fiscal Responsibility Statement

Article 44

The manager of the budget beneficiary shall be responsible for:

1. using the funds lawfully and for intended purposes , and
2. efficient and effective functioning of the system of financial management and control within the framework of funds specified in the Budget.

The manager of the budget beneficiary shall complete the Fiscal Responsibility Statement (hereinafter: Statement) every year for the previous budget year, for the period of time he performed management tasks.

The Statement shall be accompanied by plans to remedy weaknesses and irregularities as established by the competent authorities, the report on remedied weaknesses and irregularities identified in the previous year, and the opinion of internal auditors on the system of financial management and control for the areas audited in the previous year.

The managers of the budget beneficiaries shall submit the Statement to the Ministers or Heads of other public administration bodies, at the level of chapters of the organizational classification.

Ministers and Heads of other administration bodies shall submit the Statement to the Ministry of Finance, which shall verify its content.

The Statement format and content, the manner of completion and time limits for submission thereof, and the manner and time limits for reporting to the Ministry of Finance on the obligations referred to in paragraph 3 of this Article shall be specified by the Minister of Finance.

Article 45

The provisions of Articles 42 through 44 shall apply *mutatis mutandis* to cantons, cities, municipalities, and extra budgetary funds

CHAPTER EIGHT - BUDGET EXECUTION

Article 46

Budget beneficiaries shall be responsible for full and timely collection of revenue and receipts from their purview, for the payment thereof to the Budget, and for the execution of

all expenditures and outlays in accordance with their specific purpose.

A budget beneficiary shall be obliged to undertake all the statutory actions with a view to collecting claims arising from contracts or any other claim related to public revenues.

For uncollectible claims, the Government may take a decision, based on the corroborated proposal of budget beneficiary, on the write-off of claims.

Budget beneficiaries shall be responsible for lawful, efficient, and cost-effective use of budget funds for intended purposes.

The budget shall be executed pursuant to the budget execution law for the level of the Federation and cantons, pursuant to the decision on the budget execution for the level of a city, municipality, i.e. pursuant to the decision on the financial plan execution of the extra budgetary fund.

Article 47

Earmarked revenues and receipts of the budget shall mean aid, grants, revenues collected under special regulations usage and purpose of which is defined, proceeds from the sale or exchange of assets owned by the Federation and earmarked receipts from borrowing, securities issue and sale of shares and equity interests.

Revenue and receipts referred to in paragraph 1 of this Article shall be paid to the Budget.

Article 48

Earmarked revenues and receipts not used in the previous year shall be carried over to the Budget for the current budget year.

Article 49

If the earmarked revenues and receipts are paid in the amount lower than what is planned in the Budget, the beneficiary may make commitments and payments only to the level of actually paid or available funds.

Paid and/or transferred aid, grants and special purpose revenues and earmarked transfers among the beneficiaries of public funds that were planned in lower amounts may be executed above the amounts planned in the budget, up to the amount of paid or transferred funds, under Government decisions, at the proposal of a budget beneficiary.

Paid and/or transferred earmarked borrowing receipts that were planned in lower amounts may be executed above the amounts planned in the Budget up to the amount of paid or transferred funds, under Government decisions, at the proposal of a budget beneficiary.

Paid and/or transferred, but unplanned aid and grants may be used according to activities and/or projects subsequently specified in the Budget under Government decisions, at the proposal of a budget beneficiary.

Article 50

The amount of funds spent other than for the intended purpose in the previous year shall be subtracted from the budget funds for the budget beneficiary for the overspent amount in the year in which it was established that funds were spent other than for the intended

purpose.

Article 51

Own-source revenue of budget beneficiaries shall be paid into the deposit account of public revenues of the Budget.

Article 52

The Budget shall be executed in keeping with the inflow of funds into the Treasury Single Account (hereinafter: TSA).

The payment of liabilities arising from external and domestic debt shall be a priority obligation of the Federation, canton, city, municipality, and extra budgetary fund.

Other payment priorities shall be specified in the budget execution law.

Article 53

The Ministry of Finance, on the basis of annual and quarterly cash flow plans, stated by month, shall provide budget beneficiaries with the instructions on the preparation of proposals for operating expenditure and outlay plans.

Budget beneficiaries are obliged to submit proposals of annual, quarterly and monthly operating plans in line with the instruction of the Ministry of Finance.

The Ministry of Finance shall notify budget beneficiaries on approved operating budgets.

Budget beneficiaries may create commitments up to the amount of funds approved in the operating budget.

Article 54

The payment of gross wages/salaries and compensations, as well as compensations/benefits to persons whose entitlements are specified by other laws, calculated on a specified base, may be made only up to the amount planned in the Budget for such purposes.

In the case that the funds planned in the Budget for the payments of compensation/benefit referred to in paragraph 1 of this Article are lower than the amounts calculated by applying the specified base, a calculation coefficient shall be applied.

The coefficient referred to in paragraph 2 of this Article shall be calculated by dividing the amount planned in the Budget for the current budget year with the amount calculated on the specified basis of calculation.

Article 55

The payments of the monthly income made in accordance with Article 54 of this Law, shall be definitive and final.

Article 56

The Ministry of Finance shall pay liabilities of all budget beneficiaries.

Any expenditure and outlay from the Budget must be based on an authentic accounting document that is a proof of liability to be paid.

The responsible person with the budget beneficiary, prior to signing the accounting document, must check the legal basis and the amount of liability arising there from.

Article 57

Budget beneficiaries must not create commitments above the amount of approved operating budget through operating plans for such budget beneficiary.

The expenditures and expenses of any budget beneficiary may not exceed the amounts of allocated budget funds approved for each month or another time period, determined by the Ministry of Finance, except with the approval of the Ministry of Finance.

The Minister of Finance shall have the right to issue a decision suspending the execution of the decision that is in contravention of this Law and the Budget Execution Law.

The beneficiaries of transfers or loans made shall be obligated to submit to the budgetary beneficiary a report on the spending of funds for the intended purpose.

In the event the beneficiaries referred to in paragraph 4 of this Article fail to submit the report on the spending of funds for the intended purpose, they will not be entitled to apply for funds allocation in the following fiscal year.

Article 58

Approved appropriations for the fiscal year may be used until January 31 of the following year.

Appropriations may be carried over into the following fiscal year for the financing of capital projects from special funds.

Appropriations for the financing of multiannual capital projects shall be carried over to the following fiscal year according to the amounts and timeframe specified in the BFD.

Article 59

The virements at the request of the budget beneficiary may be effected in the amounts not exceeding 10% of the total approved expenditures and outlays for such budget beneficiary, pursuant to the Minister of Finance decision.

The Budget Execution Law shall regulate the volume and type of expenditures for virement.

Within the approved Budget, virement between budget beneficiaries shall be exceptionally allowed, subject to the decision of the Government at the proposal of the Ministry of Finance.

The virement request of the budget beneficiary shall be accompanied with the appropriate documentation for the Ministry of Finance review demonstrating the reasons for additional funds for the budget item to be increased by the end of the year, and reasons for

reducing already approved budget items.

The virement of budget funds may not be effected except under the conditions and in the manner specified in this Law and the Budget Execution Law.

No virement of the budget funds, except under the conditions specified in the budget execution law, may be effected between the Revenue and Expenditure Account and Financing Account.

The virement referred to in paragraph 1 of this Article for extra budgetary funds shall be approved by the management body with the approval of the line ministry.

Article 60

Current reserve, planned in the Budget, shall be used for unforeseen purposes for which the funds were not planned in the Budget or for such purposes for which the initially specified funds prove to be insufficient during the course of the year, because they could not be foreseen in the budget planning phase.

The funds in the current reserve referred to in paragraph 1 of this Article may amount to no more than 3% of the planned revenue excluding earmarked revenue, own revenues and receipts.

The amount of the current reserve referred to in paragraph 2 of this Article shall be specified in the Budget.

The current reserve may not be used for lending.

Article 61

The use of the funds from the current reserve referred to in Article 60 of this Law shall be approved, up to the amounts specified in accordance with the Budget Execution Law, by the Government at the proposal of the Ministry of Finance, prime minister and deputy prime ministers.

The Ministry of Finance shall report to the Government on the use of the current reserve on a quarterly basis

The Government shall report to the Parliament on the use of the current reserve on a semiannual basis.

Article 62

If during the year, pursuant to regulations, the competences of the budget beneficiary are reduced, resulting in the reduction of funds, or if the budget beneficiary is terminated, unspent funds for its expenditures and outlays shall be transferred to the current reserve or to the budget beneficiary that is to assume its activities about which the Government is to decide.

If during the fiscal year certain competences of the budget beneficiary are transferred or if the budget beneficiary itself ceases to exist, the Government shall form a commission for the inventory of property, assets and liabilities.

1. Liquidity Planning

Article 63

The Ministry of Finance shall be responsible for the preparation of cash flow plans referred to in Article 53 of this Law, stating inflows and outflows of funds in the TSA, which shall be the basis for the Budget execution.

In preparing the cash flow plans, the Ministry of Finance shall use information from various sources:

1. Closing TSA balance for the previous period,
2. Forecasts of all revenue and receipts in the TSA,
3. Forecasts of all expenditures and outlays,
4. Forecasts of debt servicing,
5. Projections on foreign aid and borrowing , and
6. Trends in key macroeconomic parameters.

Cash flow plans shall be considered and approved by the Budget Liquidity Board, appointed by the Minister of Finance.

In accordance with the cash flow plan and available cash, the funds shall be allocated to budget beneficiaries for discharging liabilities.

If a deficit has been planned, the cash flow plan shall also include recommendations on the required corrective action.

2. Investment of Public Funds

Article 64

The Ministry of Finance may invest any amount of cash from the TSA that is not required for the discharge of planned budget liabilities.

Idle public funds referred to in paragraph 1 of this Article shall be invested exclusively for the purposes of increasing budget resources in line with the conditions specified in a special law.

Any proceeds from investment of public funds referred to in paragraph 1 of this Article shall be paid into the TSA.

Article 65

3. Return of Funds to the Budget

If it is subsequently established that the payment from the Budget was made unlawfully and/or was made for the purpose other than the intended on, the beneficiary shall be obliged to immediately demand the return of the budget funds to the TSA.

If the budget supervision establishes that the funds have been used in contravention of the law, the Minister of Finance shall issue a decision on the return of such funds to the TSA.

Article 66

The provisions of Articles 46 through 65 of this Law, shall apply, *mutatis mutandis*, to

the execution cantonal, city and municipality budgets and extra budgetary funds.

CHAPTER NINE - BORROWING AND DEBT MANAGEMENT

Article 67

The Federation, canton, city, municipality, and extra budgetary fund may borrow and issue guarantees for the purposes, in the manner, under the conditions and in volumes specified by the law governing debt, borrowing, and guarantees in the Federation.

Financial liabilities assumed for and on behalf of the Federation in accordance with the law and other regulations shall constitute the Federation debt.

All liabilities constituting the Federation debt shall have an equal status and shall constitute a priority payment obligation of the Federation.

The provisions of paragraphs 2 and 3 of this Article shall also *mutatis mutandis* apply to cantons, cities, municipalities and extra budgetary funds.

Article 68

The budget execution law shall determine the amounts of new debt in accordance with the established debt ceiling, as well as liabilities arising from the current payments of Federation debt.

Article 69

The Federation may incur short-term debt within the country for the purposes specified in the law referred to in Article 67 paragraph 1 of this Law.

Short-term debt incurred through borrowing for the temporary financing of the deficit arising from the cash flow shall be repaid in the period of one year, and at no time during the fiscal year shall it exceed 5% of generated revenues excluding receipts, in the preceding fiscal year

Article 70

The Ministry of Finance shall be responsible for Federation debt management, in accordance with the Law referred to in Article 67 paragraph 1 of this Law.

With a view to monitoring and managing debt in the Federation, the Ministry of Finance may ask creditors to provide information on current internal or external debt servicing by cantons, cities, municipalities, public enterprises or another loan beneficiary of relevance for consolidated overview of the debt stock.

Article 71

The provisions from Articles 67 through 70 of this Law shall be applied *mutatis*

mutandis by cantons, cities and municipalities.

CHAPTER TEN - BUDGET ACCOUNTING, INSPECTION, AND AUDIT

Article 72

Budget beneficiary managers shall be responsible for the accounting, internal control and supervision of transactions in the body they manage.

The Minister of Finance shall be responsible, on behalf of the Government, for the accounting and internal supervision of transactions, borrowing, and debt settlement.

1. Accounting

Article 73

Budget accounting shall regulate the books of account, accounting documents and data processing, the contents of accounts in the Chart of Accounts, recognition of balance sheet items, revaluation, financial reporting, relating to budget accounting.

Article 74

Budget accounting shall rely on the accounting principles of accuracy, veracity, reliability, timeliness, and separate presentation of business events, and on the International Public Sector Accounting Standards.

Budget accounting shall be performed according to the principles of double entry accounting according to the layout from the Chart of Accounts.

Article 75

Budget accounting shall be applied by all budget beneficiaries and extra budgetary funds.

Article 76

Revenues and receipts, and expenditures and outlays shall be based on the modified principle of accrual accounting.

Revenues and receipts shall be recognized in the period when they are measurable and available, i.e. when they have been paid into the TSA.

Expenditures and outlays shall be recognized on an accrual basis in the reporting period to which they refer irrespective of their payment.

Article 77

The Government shall adopt the Decree on Accounting for the budget of the Federation, the budgets of the cantons, cities, municipalities and extra budgetary funds.

Article 78

The Ministry of Finance shall ensure the implementation of uniform accounting procedures and issue regulations on accounting, and the contents and manner of reporting for all budget beneficiaries and extra budgetary funds.

2. Budget Inspection (supervision)

Article 79

Budget inspection shall mean inspecting the lawfulness, timeliness, and the use of budget funds for the intended purpose, imposing measures for remedying identified irregularities and violations of the law

Budget inspection shall include the inspection of accounting, financial, and other business documents of the inspected entity.

Article 80

Budget inspection shall be performed at budget beneficiaries and extra budgetary funds, legal and natural persons that are beneficiaries of budget resources, as well as the inspection of the use of loans related to guarantees.

Article 81

Budget inspection activities shall be performed *ex officio* by budget inspectors, who shall be the authorized officers of the Ministry of Finance.

Article 82

Budget inspection shall be carried out through direct inspections at entities referred to in Article 80 of this Law, i.e., analysis of their financial and accounting documents.

Article 83

A budget inspector shall send to the inspected entity a written notification about the commencement of the inspection, and about the subject and period covered by the inspection.

The responsible person in the entity undergoing inspection, or the person authorized by him, shall participate in the inspection process and, at the request of budget inspectors, provide them with all the necessary documents for review.

Article 84

If a budget inspector has determined violations and/or irregularities in the application of the law or other regulations he/she shall take administrative and other measures for which he/she is authorized by the law and other regulations.

Article 85

Budget inspector shall keep trade and professional secrets and keep confidential the information obtained in the course of performing supervision and other activities from his purview, in accordance with the specified confidentiality level

3. Internal Control and Internal Audit

Article 86

Budget beneficiaries shall develop a system of internal controls in accordance with international standards of internal control, to ensure the performance of tasks within the framework of their basic activity.

The Ministry of Finance shall issue instructions for the establishment and maintenance of internal controls system, and budget beneficiaries shall adopt a rulebook on internal controls.

The internal controls system ensures the establishment of the organization, policies and procedures to be used for the achievement of intended results in government programs.

Article 87

Monitoring and evaluation of the internal controls systems shall be performed by internal audit, in accordance with the regulations governing internal audit.

Article 88

The provisions of Articles 72 through 87 of this Law shall apply *mutatis mutandis* to cantons, cities, municipalities, and extra budgetary funds.

4. Financial Reporting and Auditing

Article 89

Financial reports of budget beneficiaries and extra budgetary funds shall include reports on the status and structure, as well as changes, of assets, liabilities, own sources, revenue, expenditure, receipts, outlays and/or cash flows.

Article 90

The Ministry of Finance shall submit to the Government quarterly, semi-annually and nine-month financial reports within 30 days after the end of an accounting period, and the annual report by April 15 of the current year.

Article 91

Budget beneficiaries shall submit their quarterly financial statements to the Ministry of Finance within 20 days of the end of the accounting period, and the report for the fourth quarter of the previous year by February 28 of the current year.

Article 92

Financial departments of municipalities and cities shall submit quarterly reports to municipal and city councils and cantonal ministries of finance within 20 days of the end of the accounting period, and the report for the fourth quarter of the previous year by March 5 of the current year.

Extra budgetary funds shall submit quarterly statements on financial plan execution to the line ministry, cantonal ministry of finance and the FBiH Ministry of Finance within 20 days of the end of the accounting period, and the report for the fourth quarter of the previous year by March 5 of the current year.

Cantonal ministries of finance shall submit consolidated quarterly reports on the execution of cantonal, municipal and city budgets to the Ministry of Finance within 30 days of the end of the accounting period, and the report for the fourth quarter of the previous year by March 15 of the current year.

Article 93

Budget beneficiaries and extra budgetary funds shall be obligated to prepare the annual accounts for the previous year and submit them to the competent ministry of finance or finance unit in competent institutions in accordance with the law and other regulations, not later than end of February of the current year.

In the event that the budget beneficiary fails to submit the annual accounts in a timely manner, the Minister of Finance shall have the right to impose a temporary suspension of expenditure approval until the annual accounts have been received.

Article 94

Municipal and city finance units, shall be obligated to submit annual accounting reports to the cantonal Ministries of Finance by March 15 of the current year, for the previous year.

Extra budgetary funds shall submit their annual reports to the line ministries, cantonal ministries of finance and the Federal Ministry of Finance by March 5 of the current year for the previous year.

Article 95

Cantonal ministries of finance shall submit consolidated annual reports for municipal and city budgets, annual reports for cantonal budgets to the Ministry of Finance by March 31 of the current year for the previous year.

Article 96

The Ministry of Finance shall be obligated to submit to the Government, in a timely manner, the report on the execution of the previous year's budget, which report shall be submitted by the Government to the Parliament for approval within six months of the end of fiscal year.

Article 97

The report referred to in Article 96 of this Law must be in line with the contents and classifications of budget accounts, and shall contain:

1. revenue and receipts, expenditure and outlays for the fiscal year approved by the Parliament or subsequently amended,
2. revenue and receipts, expenditure and outlays realized in the course of the year and presented in such a manner that any difference between the approved budget and execution thereof may be clearly seen,
3. opening and closing balances of the TSA,
4. opening and closing balances of the assets, liabilities and sources of ownership,
5. explanatory notes for major deviations,
6. information on all the changes arising from borrowing and debt management and on guarantees issued in the course of the fiscal year, and
7. information on the use of budget reserve.

Article 98

Public enterprises and institutions financed out of public revenue, as well as public enterprises for which the Ministry of Finance issues guarantees for borrowing, shall be under an obligation to submit financial data to the line ministry on a quarterly basis.

The type, manner and time limits for the submission of financial data shall be prescribed by the Minister of Finance.

Article 99

Annual accounts of each budget beneficiary shall be audited by the Audit Office for the Institutions of the Federation of Bosnia and Herzegovina.

5. Publication

Article 100

The Budget, amendments to the budget, and the Decision on temporary financing shall be published, at the level of the main group, in the "Official Gazette of the BiH Federation" within ten days from the day on which they were enacted.

The Budget Execution Law shall be published in the Official Gazette of the BiH Federation within ten days from their adoption.

Any use of the current reserve by the Government shall be published in the Official Gazette of the BiH Federation within ten days from the adoption of Government decision.

Periodical and annual Budget Execution Reports shall be published on the official website of the Ministry of Finance within 10 days of filing.

The decisions on debt and borrowing shall be published in the Official Gazette of the BiH Federation within ten days from their adoption.

Article 101

The provisions of Articles 89 through 100 of this Law shall apply *mutatis mutandis* to a cantons, cities, municipalities, and extra budgetary funds.

CHAPTER ELEVEN - PENAL PROVISIONS

Article 102

A fine in the amount of KM 1,000 to KM 3,000 shall be imposed for a misdemeanor on the responsible person of the budget beneficiary, responsible person of the extra budgetary fund, holder of public office in the canton, city or municipality responsible for the budget, or another responsible person, for:

1. failing to establish and maintain the Register of budget beneficiaries, Article 3 of this Law,
2. preparing a Financial Plan Proposal in contravention of the provisions of this Law, Articles 12, 13, 14, 19, 20, 21, 22, and 27,
3. failing to submit to the Ministry of Finance the Priority Proposal for the preparation of BFD for the following year, by March 1 of the current year, Article 15 of this Law
4. failing to submit to the Ministry of Finance all budget requests for the following year by August 15 of the current year, Articles 15 and 20 of this Law,
5. failing to complete the Fiscal Responsibility Statement and failing to submit it to the competent ministry, Article 44 of this Law,
6. making a payment of monthly cash compensations/benefits to entitlement holders in the amount exceeding the amount planned in the budget for such purposes, Article 54 of this Law,
7. failing to apply the system of budget accounting in the manner specified in this Law, Articles 73 - 76 of this Law,
8. failing to ensure the existence of internal controls system in accordance with international standards of internal control, Article 86 of this Law,

9. failing to submit interim financial statements, Article 90 of this Law,
10. failing to submit a consolidated interim budget execution report for the previous fiscal year, Article 92 of this Law,
11. failing to submit a consolidated annual budget execution report for the previous fiscal year, Article 95 of this Law.

Article 103

A fine in the amount of KM 2,500 to KM 3,000 shall be imposed for a misdemeanor on the responsible person of the budget beneficiary, responsible person of the extra budgetary fund, holder of public office in the canton, city or municipality responsible for the budget, or another responsible person, for:

1. approving the commitments to be charged to the budget of the current year in contravention to the intended purpose and amount specified in the Detailed Budget section, Article 6 of this Law,
2. increasing the number of staff from the staffing level as at December 31 of the previous year or for commencing new or broader scope programs and activities during the period of temporary financing, Article 35 of this Law,
3. creating commitments above the amount of approved operating budget through operating plans for such budget beneficiary.
4. conducting the borrowing procedure in contravention to Articles 67 through 70 of this Law,
5. failing to provide for the unhindered performance of budget inspection, refusing to participate in the inspection process, or for refusing to provide all the necessary documentation requested by the budget inspector, Article 83 of this Law.

CHAPTER TWELVE - TRANSITIONAL AND FINAL PROVISIONS

Article 104

The Government shall adopt and harmonize regulations set forth in this Law within 90 days from the commencement of the implementation of this Law.

The Minister of Finance shall adopt regulations set forth in this Law within 60 days from the start of implementation of this Law.

Article 105

In the event that the provisions of other laws and regulations are in contravention to this Law, this Law shall prevail.

Article 106

On the day of the start of implementation of this Law, the Law on Budgets in the Federation of Bosnia and Herzegovina ("Official Gazette of the Federation of BiH", nos. 19/06, 76/08, 5/09, 32/09, 51/09, 9/10, 36/10, 45/10, and 25/12) shall cease to apply.

Article 107

This Law shall come into effect on the eighth day of publication in the "Official Gazette of the Federation of BiH", and its implementation shall start as of 1 January 2014.

Chairman of the
House of Peoples
Parliament of the Federation of BiH
Radoje Vidović, *manu propria*

Chairman of the
House of Representatives
Parliament of the Federation of BiH
Fehim Škaljić, *manu propria*