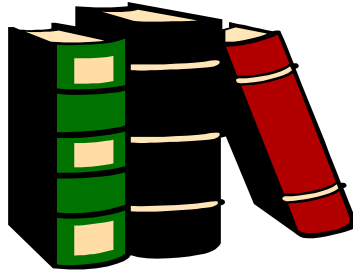




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Department for Legal Affairs



LAW ON THE BUDGET SYSTEM OF THE REPUBLIKA SRPSKA

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Pursuant to Amendment XL Item 2 to the Constitution of Republika Srpska ("Official Gazette of Republika Srpska", issue No. 28/94), I hereby issue the following

DECREE

**PROMULGATING THE LAW ON THE BUDGET
SYSTEM OF THE REPUBLIKA SRPSKA**

I hereby promulgate the Law on the Budget System of the Republika Srpska, which the National Assembly of Republika Srpska adopted on its 23rd session, held on 13 December 2012, and for which the House of Peoples concluded on 24 December 2012 that the adoption of the Law on Budget System of Republika Srpska did not pose a threat to the vital national interest of any of the constitutional peoples in the Republika Srpska.

No: 01-020-4104/12
25 December 2012
Banja Luka

President
of the Republic
Milorad Dodik, *manu propria*

LAW
ON THE BUDGET SYSTEM OF THE REPUBLIKA SRPSKA

I – GENERAL PROVISIONS

Article 1

This Law shall regulate the budget system of Republika Srpska (hereinafter: the Republic), the preparation, the planning, the method of drafting, the adoption, and the execution of the budget of Republika Srpska (hereinafter: the Republic budget), the budgets of municipalities, cities, and funds, the borrowing and debt repayment, accounting, reporting and control of budgets of the Republic, of the municipalities, of the cities, and of the funds.

Article 2

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

- a) the budget shall pertain to the assessment of budget resources and budget expenses for one fiscal year;
- b) the fiscal year shall cover the period of 12 months, which starts on January 1, and ends on December 31, of the calendar year,
- c) budget users shall pertain to the institutions, organizations, and other entities of the public sector (apart from public companies) which are financed from the budget of the Republic, of municipalities, of the cities, and of the funds, and which are under their control in compliance with the Law,
- d) the funds, in the context of this Law, shall pertain to the following: the Pension and Disability Insurance Fund of Republika Srpska, the Health Insurance Fund of Republika

Srpska, the Public Child Protection Fund of Republika Srpska, and the Employment Institute of Republika Srpska,

e) the public revenue account shall pertain to the account into which the payments of public revenues of the Republic, of the municipalities, of the cities, and of the funds are executed, and from which the allocation is performed into the accounts of the users of public revenues,

f) the Single Treasury Account shall pertain to the account into which the payments of resources are executed in the name of the Republic, of municipalities, of the cities, and of the funds, from the public revenue account or directly, as well as all the payments on behalf of the Republic, the municipalities, the cities, and the funds, and the system of the Single Treasury Account comprises the public revenue account, investment accounts, transaction accounts, as well as special purpose accounts,

g) the special purpose account shall pertain to the account which shall be, at the request of the budget user, opened by the Treasury of the Republic and the treasuries of municipalities, cities, and funds, into which payments are executed of resources with special purposes, as well as all the payments under purposes or projects.

h) the single account for indirect taxation which is managed by the Indirect Tax authority of BiH (hereinafter: the ITA Single Account) shall pertain to the account into which indirect taxes are being paid, and

i) public investments shall represent a portion of the planned resources of the Republic budget which shall not be allocated in advance, but instead on the basis of special decision of the Republika Srpska Government (hereinafter: the Government), and which imply investments in significant increases of the value of non-financial assets through the acquisition of infrastructure of general importance, local infrastructure, constructed facilities, land, and equipment.

II – BUDGET SYSTEM OF REPUBLIKA SRPSKA

Article 3

The budget system of the Republic comprises of the budget of the Republic, the budgets of municipalities and the cities and the budgets – financial plans of the funds (hereinafter: the budgets of the funds).

Article 4

In compliance with this Law, the uniformity of the budget system of the Republic shall be ensured by the common legal regulation, the uniform budget classification, the utilization of uniform budget documentation for the drafting of the budgets of the Republic, of municipalities, of cities, and of funds, the uniform system of budget accounting, the uniform criteria for budget control, and uniform principles on which the budgeting procedure is founded.

Article 5

(1) The budget resources within a single fiscal year shall comprise budget revenues and receipts for non-financial assets, receipts from financial assets and liabilities in the current fiscal year, outstanding earmarked resources of budget grants and transfers from preceding periods, and the surplus allocated pursuant to the decision of the competent institution.

(2) The budget resources shall be used for the financing of the functions of budget users, for the performance of their tasks, and for other purposes which are in compliance with the Constitution and the Law, as well as the regulations of the institutions of local self-governance and the funds.

(3) Budget revenues shall comprise of public revenues, current and capital grants from the country and from abroad, and transfers received from other budget units.

(4) Public revenues shall be the revenues ascertained in compliance with the Law and executed on the basis of taxes, fees, contributions, charges, and other revenues which are used to finance the rights and the duties of the Republic, the municipalities, the cities, and the funds.

(5) Budget grants shall be the non-repayable financial resources received from domestic or foreign physical and legal persons, which are included in the revenues of the budget.

(6) Financing shall represent the method of settling the planned or the executed budgetary deficit, i.e. the method of allocation of the planned or the executed budgetary surplus.

(7) Net financing shall represent the balance between the receipts from financial assets and the borrowing and the outflows for financial assets and repayment of debt.

Article 6

(1) The planned budgetary resources and the planned budgetary expenses shall have to be balanced.

(2) Budgetary outflows shall comprise budgetary expenses, outflows for financial assets and outflows for financial assets and the repayment of debts.

(3) Budgetary expenses shall comprise expenses for personal incomes, expenses on the basis of utilization of goods and services, expenses for financing, and other financial expenses, subsidies, grants, remittances for social protection, and transfers to other budgetary users.

(4) The meaning of the terms budgetary revenues and budgetary expenses shall not be equal to the meaning of the terms revenues and expenses which are defined in the International Accounting Standards for the Public Sector and which is relevant for the preparation of financial statements at individual levels of government in the Republic.

Article 7

(1) The budgetary resources that belong to the budget of the Republic and which are allocated between the budget of the Republic and the budgets of municipalities and cities shall be paid from the public revenue account.

(2) The budget resources that fully belong to the budget of a municipality or a city, and which represent their original revenues, shall be paid from the public revenue account of the municipality, i.e. the city.

Article 8

The revenues of the Republic budget shall be the following:

a) a portion of the revenues from indirect taxes paid into the budget of the Republic from the Single Account of the ITA, ascertained in compliance with the principles of allocation defined by this Law, which, following their allocation amongst the other users in the Republic, belong to the budget of the Republic;

- b) profit tax;
- c) income tax:
 - 1) tax on income from copyrights, rights similar to copyrights, and rights of industrial property,
 - 2) tax on revenues from capital,
 - 3) tax on revenues from capital gains;
- d) taxes on utilization, holding, and carrying goods:
 - 1) tax on utilization of motor vehicles,
 - 2) tax on utilization of boats, floating plants, and yachts,
 - 3) tax on utilization of aircrafts and planes,
 - 4) tax on holding and carrying firearms;
- e) fees:
 - 1) republic administrative fees,
 - 2) republic court fees,
 - 3) special republic fee;
- f) charges:
 - 1) concession charges for the utilization of natural and other wealth of general interest, apart from concession charges for the utilization of mineral raw materials,
 - 2) charges, i.e. resources for environment protection,
 - 3) charges for organizing games of fortune;
- g) financial fines, apart from the fines stipulated in the enactments of the city, i.e. the municipality;
- h) revenues from illegally acquire property and property gains;
- i) revenues from grants;
- j) revenues which the budget users execute in the course of performing regular and additional activities in compliance with the Law, in the percentage stipulated by the Law, which regulates budget execution, and
- k) other revenues of the Republic budget.

Article 9

The revenues which shall be shared between the budget of the Republic, budgets of municipalities and cities, and other users, shall be the following:

- a) revenues from indirect taxes, paid into the budget of the Republic from the Single Account of the ITA, which shall, following the deduction of the portion of the resources for the servicing of the external debt of the Republic, be allocated in the following manner:
 - 1) budget of the Republic 72%,
 - 2) budgets of municipalities and cities 24%,
 - 3) Public Company "Republika Srpska Roads" 4%;
- b) revenues from income tax:
 - 1) tax on revenues from independent activity, which shall be divided between the budget of the Republic and the budgets of municipalities and cities in the ratio of 75:25,
 - 2) personal income tax, which shall be divided between the budget of the Republic and the budgets of municipalities and cities in the ratio of 75:25;
- c) revenues from charges for changing the purpose of agricultural land, which shall be divided between the budget of the Republic and the budgets of municipalities and cities in the ratio of 30:70;
- d) revenues from the lease of land in the ownership of the Republic, which shall be divided between the budget of the Republic and the budgets of municipalities and cities in the ratio of 50:50;

e) revenues from concession charges for the utilization of mineral raw materials, which shall be divided between the budget of the Republic and the budgets of municipalities and cities in the ratio of 30:70;

f) revenues from special water management charges:

1) charges for intake of surface and subterranean waters, which shall be divided between the budget of the Republic and the budgets of municipalities and cities in the ratio of 70:30,

2) charges for the generation of electricity resulting from the utilization of hydro-energy, which shall be divided between the budget of the Republic and the budgets of municipalities and cities in the ratio of 70:30,

3) charges for the excavation of materials from water streams, which shall be divided between the budget of the Republic and the budgets of municipalities and cities in the ratio of 70:30,

4) charges for the protection of waters, which shall be divided between the budget of the Republic, the budgets of municipalities and cities, and the Republika Srpska Environment Protection Fund, in the ratio of 55:30:15, and,

g) dispossessed property gain and resources acquired on the basis of the sale of dispossessed items from the scope of authority of the Republic Administration for Inspection Affairs, which shall be divided between the budget of the Republic and the budgets of municipalities and cities in the ratio of 70:30.

Article 10

(1) The individual share of municipalities and cities in the allocation of revenues referred to in Article 9, Item a) of this Law shall be performed in compliance with the following criteria:

- a) 75% on the basis of the number of inhabitants of the municipality and the city,
- b) 15% on the basis of the area of the municipality and the city, and
- c) 10% on the basis of the number of pupils in secondary schools.

(2) The resources transferred to municipalities and cities shall be treated as general transfers, so that the municipalities and the cities shall be using them in compliance with their budgets.

(3) The system of allocation between the municipalities and the cities referred to in Article 9, Item a) of this Law shall be implemented until 2016, according to the following formula:

$$\text{year 1: } X(i) = a(i) \circ 0.85 + b(i) \circ 0.15$$

$$\text{year 2: } X(i) = a(i) \circ 0.80 + b(i) \circ 0.20$$

$$\text{year 3: } X(i) = a(i) \circ 0.70 + b(i) \circ 0.30$$

$$\text{year 4: } X(i) = a(i) \circ 0.60 + b(i) \circ 0.40$$

$$\text{year 5: } X(i) = a(i) \circ 0.50 + b(i) \circ 0.50$$

$$\text{year 6: } X(i) = a(i) \circ 0.40 + b(i) \circ 0.60$$

$$\text{year 7: } X(i) = a(i) \circ 0.30 + b(i) \circ 0.70$$

$$\text{year 8: } X(i) = a(i) \circ 0.20 + b(i) \circ 0.80$$

$$\text{year 9: } X(i) = a(i) \circ 0.10 + b(i) \circ 0.90$$

$$\text{year 10: } X(i) = b(i) \circ 1$$

while:

$X(i)$ – represents the share that the municipality and the city hold in the amount of the resources allocated for municipalities and cities pursuant to Article 9, Item a) of this Law.

$a(i)$ – represents the share that the specific municipality and city had had in the revenues from sales tax and excises in the year 2005,

b(i) – represents the share which the specific municipality and city hold in the amount of the resources allocated for municipalities and cities following the application of criteria stipulated in Paragraph 1 of this Article.

(4) The coefficient for allocation in compliance with the formula stipulated in Paragraph 3 of this Article shall be stipulated in a decision of the Government.

Article 11

Revenues of the budget of municipalities and cities shall be the following:

- a) taxes on property, i.e. real estate;
- b) financial fines issued in misdemeanor proceedings for the misdemeanors stipulated in the enactments of cities, i.e. municipalities;
- c) municipal administrative fees;
- d) utility fees;
- e) special water management fees – charges for protection from waters;
- f) municipal charges for the utilization of natural and other wealth of general interest;
- g) taxes on gains from games of fortune;
- h) residential fees;
- i) other revenues, such as the following:
 - 1) revenues from grants, transfers, and revenues which the budget users execute from performing their regular and supplemental activity in compliance with the Law, in the percentage which is stipulated in the decision on budget execution, and
 - 2) other municipal revenues.

Article 12

Revenues of the budgets of the funds shall be the following:

- a) contributions,
- b) transfers from the budget,
- c) grants, and
- d) other revenues.

Article 13

The introduction of the new, the phasing out of the existing, and the amendments of criteria for the allocation of revenues of the budgets of the Republic, the municipalities, the cities and the funds referred in Articles 8, 9, 11, and 12, may only be performed in compliance with the Law.

Article 14

(1) The budgetary framework shall represent the amount of budgetary outflows in the course of a single fiscal year planned for the purpose of financing budgetary expenses and outflows for non-financial assets, increased by the amount of the negative net financing.

(2) The budgetary surplus shall represent the positive balance between the sum of budgetary revenues and receipts for non-financial assets and the sum of budgetary expenses and outflows for non-financial assets.

(3) The budgetary deficit shall represent the negative balance between the sum of budgetary revenues and receipts for non-financial assets and the sum of budgetary expenses and outflows for non-financial assets.

(4) The annual budget shall stipulate the method of utilization of the planned budgetary surplus, i.e. the method of financing of the planned budgetary deficit.

(5) It shall not be allowed to propose budgets that contain planned but not settled budgetary deficit, or planned but unallocated budgetary surplus.

(6) The executed unallocated surplus of the budget from previous financial years may only be allocated on the basis of a decision of the National Assembly of Republika Srpska (hereinafter: the National Assembly), i.e. the decision of the assembly of the municipality, the city, or the competent institution of the management of the fund, but only after an analysis is performed determining the amount of the resources actually available for allocation, to which the Ministry of Finance (hereinafter: the Ministry) has given its consent.

(7) The decision on the allocation of the unallocated budgetary surplus from the preceding fiscal years shall represent changes to the structure and/or expansion of the budgetary framework.

(8) The unsettled budgetary deficit ascertained in the course of the fiscal year may be covered by reducing the current budgetary expenditure, by reducing the outflows for non-financial assets, by borrowing in the country or abroad, or in another manner in compliance with the Law.

(9) The settlement of liabilities within the unsettled budgetary deficit ascertained in preceding fiscal years in the course of the current fiscal year shall be expressed as debt repayment.

III – BUDGET PREPARATION AND ADOPTION

Article 15

(1) The budget shall be prepared, adopted, and executed on the basis of standard budgetary classification.

(2) The standard budgetary classification shall encompass fund based, organizational, economic, sub-economic (sub-analytical), functional, and programme (project) classification.

(3) The Minister of Finance (hereinafter: the Minister) shall adopt a rulebook defining standard budgetary classifications.

(4) The budget of the Republic, of municipalities, of cities and of funds shall be adopted, obligatorily, on the level of the general accounting fund, budgetary organizations, or spending units, synthetic economic codes, and sections of the functional classification.

Article 16

(1) Preparation and development of the Budget shall be based on the **Budget Framework Document (hereinafter: BFD)**.

(2) BFD is an enactment containing macroeconomic projections and forecasts of the budget resources and expenses for the next year and the following two fiscal years.

(3) BFD shall be adopted by the Government.

Article 17

(1) Public Investments Program is an enactment which shall contain overview of public investments in the Republic for the next year and the following two fiscal years and consists of:

(a) Investments that are underway and the financing sources are provided for its implementation,

(b) Priority investments for which the financing resources shall be provided as anticipated,

(c) Priority investments for which the financing sources are not provided at the time of Program development.

(2) The Government shall pass the decision on adoption of Public Investments Program.

Article 18

In the process of initiating, proposing, adopting the laws, by-laws and other enactments, signing agreements and contracts and planning other activities, the initiators are obliged to keep in view realistic financing prospects of given activities, in accordance with planned budget framework, as well as with the projections for the following two years as given in the BFD.

Article 19

(1) In the process of proposing the laws, by-laws and other enactments, an initiator is obliged to create an explanation which must include the estimate of financial effects that the implementation of proposed enactments shall have on the budget.

(2) The estimate from the Paragraph 1 of this Article, must consist the data on whether the proposed laws, by-laws or other enactments are increasing or reducing the budget resources.

(3) Estimate from the Paragraphs 1 and 2 of this Article must include:

(a) Projected changes in the budget resources for the current year and two following fiscal years,

(b) Proposals for providing the sources for financing increased expenses,

(c) Proposals for providing financing sources in case of budget resources reduction which is the result of proposed enactments from the Paragraph 1 of this Article.

Article 20

The Budget shall be prepared and adopted in accordance with budget calendar.

Article 21

Preparation and adoption of the Republic Budget shall be conducted in accordance with the following **budget calendar**:

- (a) February 15th – the Ministry shall issue an instruction to the budget beneficiaries on the manner and elements of BFD development,
- (b) April 30th – the budget beneficiaries shall submit to the Ministry the proposal of priorities for BFD development,
- (c) June 30th – the Government shall adopt the Budget Framework Document,
- (d) July 1st – the Ministry shall submit the BFD to the municipalities, towns and funds,
- (e) July 1st – the Ministry shall submit the instruction to the budget beneficiaries on manner and elements of draft budget development for the following fiscal year,
- (f) September 1st – the budget beneficiaries shall submit to the Ministry the budget requests for the following fiscal year,
- (g) October 15th – the Ministry shall submit the Republic budget draft for the following fiscal year to the Government,
- (h) November 5th – the Government shall adopt the Republic budget draft for the following fiscal year and submit it to the Parliament,
- (i) November 15th – the Parliament shall vote on the Republic budget draft for the following fiscal year,
- (j) December 1st – the Government shall adopt the Republic budget proposal for the following fiscal year and submit it to the Parliament,
- (k) December 15th – the Parliament shall pass a decision on adoption of the Republic budget for the following fiscal year.

Article 22

Procedure of the Republic budget preparation and development shall start with submission of the instruction on manner and elements of BFD development, which shall contain:

- (a) basic economic assumptions and guidelines for BFD preparation,
- (b) table containing budget beneficiaries' priorities overview,
- (c) dynamics and deadlines for BFD preparation.

Article 23

In accordance with the BFD, the Ministry shall pass on to the budget beneficiaries the instruction on manner and elements of the Republic budget draft development, which shall contain:

- (a) basic economic assumptions and guidelines for the Republic budget development,
- (b) estimate of the Republic budget resources for the following fiscal year,
- (c) proposal of the approximate amount of budget expenses for each budget beneficiary in the following fiscal year,
- (d) procedure and dynamic of the Republic budget preparation and development of the budget beneficiaries budget requests for the following fiscal year.

Article 24

- (1) The budget beneficiaries that have subordinated units within their competence are obliged to pass on the instruction from the Articles 22 and 23 of this Law.
- (2) The budget beneficiaries from the Paragraph 1 of this Article are obliged to develop the consolidated budget request for subordinated budget units within their competence, according to the instruction from the Ministry.

Article 25

- (1) Based on the instruction from the Article 23 of this Law, the budget beneficiaries shall develop the budget request, which shall consist of:
 - (a) Request for budget expenses with the data on existing activities and budget beneficiary services,
 - (b) Request for additional resources for budget expenses for which the financing cannot be adjusted with the limitations contained in the Ministries' instruction, with the proposal of priorities that ought to be considered in the process of budget adoption for the following fiscal year,
- (2) Along with the request from the Paragraph 1 of this Article, submission of the written explanation shall be mandatory, which is required to contain the data on budget beneficiary organizational structure, activities and services, review of assets and employees essential for the activities and services within the budget expenses, as well as the description and reasons for activities for which demanding additional resources.

Article 26

The Ministry shall consider the budget beneficiaries' request keeping in view the available resources and planned expenses, as well as the data and explanations obtained in accordance with the Article 25 of this Law, shall conduct consultations with budget beneficiaries, optionally, and prepare the Republic budget draft for the following fiscal year.

Article 27

The Republic budget draft and proposal shall be determined in accordance with the following procedure:

- (a) The Ministry shall submit to the Government the Republic budget draft for the following fiscal year,

- (b) The Government, if needed, may require additional information and explanations from the Ministry, related to the Republic budget draft,
- (c) The Government shall define the Republic budget draft for the following fiscal year and pass it on to the Parliament for public discussion, with adopted changes,
- (d) The Parliament shall vote on the Republic budget draft for the following fiscal year,
- (e) The Government shall define the Republic budget proposal for the following fiscal year and pass it to the Parliament for discussion and adoption, and
- (f) The Parliament shall pass a decision on adoption of the Republic budget for the following fiscal year.

Article 28

Preparation and adoption of the municipal and town budget shall be conducted according to the following budget calendar:

- (a) July 5th – municipalities and towns shall analyze the BFD,
- (b) July 20th - municipal and town administrative body authorized for finances shall submit to the budget beneficiaries the instruction for preparation of budget draft for the following fiscal year,
- (c) September 15th – budget beneficiaries shall submit the budget requests for the following fiscal year to the municipal and town administrative body authorized for finances,
- (d) October 15th - municipal and town administrative bodies authorized for finances shall prepare the budget draft, taking into account the guidelines contained in BFD,
- (e) November 1st - authorized executive municipal and town administrative bodies shall define the budget draft and submit it to the Ministry in order to obtain the recommendations,
- (f) November 15th – municipal and town assemblies shall vote on the budget draft,
- (g) November 20th - authorized executive municipal and town administrative bodies shall submit the budget proposal to the Ministry for agreement,
- (h) December 5th – authorized municipal and town executive body shall submit the municipal and town budget proposal for the following fiscal year, agreed upon with the Ministry, to the municipal and town assembly for adoption,
- (i) December 15th – municipal and town assembly shall pass a decision on adoption of the budget for the following fiscal year, and
- (j) December 24th - municipal and town administrative bodies shall submit to the Ministry the adopted budget, the decision on adoption and the decision on budget execution for the following fiscal year.

Article 29

The municipal and town administrative body authorized for finances, in accordance with the BFD, shall submit to the budget beneficiaries the instruction for municipal and town budget preparation for the following fiscal year, which shall contain:

- (a) basic economic assumptions and guidelines for the municipal and town budget draft preparation for the following year,
- (b) description of the local administration unit policy plan,
- (c) estimate of the budget resources and expenses of the municipalities and towns for the following fiscal year,
- (d) proposal of the approximate amount of budget expenses for each municipal and town budget beneficiary for the following fiscal year,
- (e) procedure and dynamic of the municipal and town budget preparation.

Article 30

Provisions from the Articles 25 and 26 of this Law referring to the Republic budget draft preparation, shall accordingly apply to the procedure of the municipal and town budget adoption.

Article 31

Municipal and town budget draft and proposal defining shall be conducted in the following procedure:

- (a) municipal and town administrative body authorized for finances shall submit the municipal, .i.e. town budget draft to the municipal and town authorized executive body,
- (b) authorized executive municipal and town body, if needed, may require additional information and explanations from the municipal and town administrative body authorized for finances, related to the municipal and town budget draft for the following fiscal year,
- (c) authorized executive municipal and town administrative bodies shall define the municipal and town budget draft and submit it to the Ministry,
- (d) the Ministry shall provide recommendations on submitted municipal and town budget draft,

- (e) authorized executive municipal and town body shall submit the municipal and town budget draft to the municipal assembly for voting,
- (f) municipal and town assembly shall vote on the municipal and town budget draft,
- (g) authorized executive municipal and town body shall define the budget proposal and submit it to the Ministry with integrated recommendations,
- (h) the Ministry shall provide an agreement on submitted municipal and town budget proposal,
- (i) upon obtained Ministry's agreement, the municipal and town assembly shall pass on decision on the municipal and town budget adoption for the following fiscal year.

Article 32

The Parliament may change the proposed Republic budget, and municipal and town assemblies may change the municipal and town budget proposals, in accordance with the following principals:

- (a) proposals of budget resources increase must comprise the measures for increase of budget resources or decrease of other budget expenses for the equal amount, and
- (b) increase of budget resources must be aligned with the general macroeconomic framework.

If the municipal and town assemblies are to make changes to the proposed budget framework that the Ministry previously approved, the municipalities and towns are obligated to especially explain changes made to the proposed budget, and to send the changes along with the explanation to the ministry.

Article 33

(1) On the Government's proposal, the Parliament shall adopt the Republika Srpska Law on Budget Execution.

(2) On the proposal of the municipal and town executive body, the municipal and town assembly shall adopt the decision on execution of the municipal, i.e. town budget.

Article 34

The Fund budget shall be prepared and adopted in accordance with the following budget calendar:

- (a) July 5th – the Fund shall analyze the BFD,

(b) November 15th – the Fund shall prepare the budget draft for the following fiscal year, taking into account the BFD guidelines, and submit it to the Ministry for their opinion.

(c) December 1st – along with adoption of the Republic budget proposal, the government shall give the agreement on the fund budget proposal for the following fiscal year,

(d) December 15th – an authorized fund body shall pass the decision on adoption of the budget for the following fiscal year.

Article 35

(1) Adjustment of budget resources and expenses at the lower, higher or the same level shall be performed with the rebalance of the Republic, municipal, town or fund budget, which as proposed by the government, i.e. municipal, town or fund authorized executive body shall be adopted by the Parliament, municipal or town assembly, i.e. authorized fund body.

(2) The **rebalance** from the Paragraph 1 of this Article shall be conducted in the identical procedure as for the budget adoption.

Article 36

Development of **Public Investments Program** shall be realized according to the following calendar:

(a) February 15th – the Ministry shall submit project information to the budget beneficiary,

(b) April 30th – budget beneficiaries shall submit to the Ministry filled forms for development of public investments program draft,

(c) Jun 30th – the Government shall adopt public investments program draft,

(d) September 1st to 25th – consultations shall take place between the Ministry and budget beneficiaries related to development of public investments program proposal,

(e) November 1st – budget beneficiaries shall submit revised forms for development of public investments program proposal,

(f) December 30th – the government shall adopt the proposal of public investments program.

Article 37

(1) Parliament shall pass a decision on adoption of the Republic budget for each fiscal year.

(2) Municipal, i.e. town assembly and an authorized fund body shall pass a decision on adoption of the budget for each fiscal year.

(3) The Republic budget shall be published in the “Official Gazette of the Republika Srpska”, and the municipal i.e. town budget shall be published in the official publications of the municipalities and towns.

(4) Decision on granting agreement on the fund budget proposal shall be published in the “Official Gazette of the Republika Srpska”

Article 38

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

(2) In the case when Parliament, i.e. the municipal and town assemblies do not adopt the budget prior the beginning of the fiscal year, the Parliament, i.e. municipal and town assemblies and the fund authorized body shall pass the Decision on temporary financing, in maximum duration from January 1st to June 30th of the current fiscal year.

(3) If the decision from the Paragraph 2 of this Article is not adopted by the end of current fiscal year, on January 1st the following year, the temporary financing shall come into force for 1st quarter of the current year, in the amount of one quarter of adopted budget for the previous fiscal year.

(4) Temporary financing in the sense of Paragraph 2 of this Article, shall be performed up to the maximum of total budget revenues realized in the same period of the previous fiscal year, reduced by the grants received in the same period.

(5) Structure and type of expenditures in the temporary financing period must be in proportion with the structure and type of revenues realized in the same period of the previous year, except in the level in which the changes of numbers or status of individual budget beneficiary financed from the budget, may impact the structure and type of expenditures in temporary financing period.

(6) If the municipal or town executive body, i.e. the fund authorized body, in accordance with procedures set by this Law, by 31st March of the current fiscal year the latest, does not prepare budget proposal and submit it for adoption to the municipal or town assembly, i.e. the fund authorized body, the municipal or town assembly, i.e. the fund authorized body may, in accordance with the procedure defined by this Law, independently prepare and adopt the budget for the current fiscal year.

(7) If the budget is not adopted by June 30th of the current fiscal year, the resources from the Republic, municipal, town and fund transaction accounts cannot be used until the budget adoption.

IV BUDGET EXECUTION

Article 39

(1) Budget execution in one fiscal year shall encompass budget resources and budget expenses realized before December 31st of the current fiscal year, as well as the resources and expenses realized after that date, but not after the expiration of the deadline for development and submission of annual financial statements, if the legal conditions have been met for the amount of these resources, i.e. expenses to be included in the current fiscal year budget.

(2) Budget liquidity shall be planned based on the budget resources and expenses within the operational financial plans for the budget execution.

(3) Operational financial plans for the budget execution represent the assessments of planned budget resources and expenses in the defined time period shorter than one fiscal year.

(4) Execution of the Republic budget shall be performed based on the Law on Budget Execution and the budget execution of the municipality, town and fund based the decision on budget execution.

Article 40

(1) Budget beneficiaries and funds, defined by this Law, shall be allowed to create obligations and use resources only for the purposes and up to the amounts of available resources determined in the budget.

(2) Budget beneficiaries shall dispose of planned budget resources according to priorities determined in the operational financial plan.

(3) Users of the budget resources are obliged to use the resources defined in the budget guided by the principles of rationality and saving.

(4) The Minister shall pass a regulation which shall define criteria for obtaining the budget beneficiary status in the sense of monitoring earmarked spending of approved budget resources, along with preparation and publishing of appropriate reports.

Article 41

(1) As an exception to the Article 40 provisions, the Law or the decision regulating budget execution may envision an option of redistribution (reallocation) of budget resources within the budget beneficiary and among the budget beneficiaries.

(2) In the cases from Paragraph 1 of this Article, the Law i.e. decision on budget execution shall obligatorily determine the precise restrictions in respect to amount and purpose of resources which can be reallocated.

Article 42

(1) In case the expenses increase or resources decrease during the fiscal year, based on proposal of the Ministry, i.e. municipal, town or fund authorized executive body, the Government can pass a decision on temporary suspension of budget execution for a period not exceeding 45 days.

(2) Decision on temporary suspension of execution can:

(a) Stop creation of short-term obligations in part;

(b) Propose extending of agreed payment dates;

(c) Stop providing the approvals for concluding of contracts.

(d) Stop transfer of resources by planned amounts for the quarter or some other time period.

(3) The measure of temporary suspension of execution shall apply to all budgetary users.

(4) The Government shall notify the National Assembly of the decision referred to in Paragraph 1, whereas relevant executive authorities of municipalities, cities and funds shall notify the municipal or city council or the relevant bodies of the funds.

Article 43

(1) Budgetary reserves shall be understood to mean that share of the projected budgetary funds that are distributed on the grounds of special decisions of the Government, executive bodies of municipalities, cities or funds.

(2) Budgetary reserve funds may be used for the following:

- a) to cover contingency expenses that are not provided for in the budget;
- b) budgetary expenses in respect of which it is established in the course of the year that the budgetary appropriation is not sufficient,
- v) temporary execution of budget liabilities due to the constrained volume of budgetary funds, and
- g) exceptionally for other purposes, in line with the Government's decision, or executive authorities of municipalities, cities and funds.

Article 44

(1) The budget reserve is projected at an amount equalling 2.5% of the total projected budgetary revenues netted by the grants projected for the current fiscal year.

(2) A semi-annual report on the spending of the budget reserves shall be submitted to the Government, relevant executive authority of municipalities, cities or funds.

Article 45

(1) The Ministry shall report the execution of the RS budget for the current fiscal year to the Government on a quarterly basis.

(2) The Ministry shall file the report on the execution of the RS budget for the first quarter of the current fiscal year to the Government by 3 May of the current fiscal year.

(3) The Ministry shall file the report on the execution of the RS budget for the period 1 January – 30 September of the current fiscal year to the Government by 30 November of the current fiscal year.

(4) The RS budget execution report for the period 1 January – 31 March and 1 January – 30 September of the current fiscal year shall include the following:

- a) an overview of the fiscal situation and macroeconomic developments,
- b) a comparative overview of projected and executed budget funds and expensed, including the explanation of potential risks,

- v) an overview of the RS's borrowing,
- g) a proposal of measures to improve the situation if the circumstances so require,
- d) information on the use of the budget reserve, and
- đ) information on re-allocations as executed.

Article 46

- (1) The Ministry shall file the report on the execution of the RS budget for the first six months of the current fiscal year to the Government by 31 August of the current fiscal year.
- (2) The Ministry shall file the report on the execution of the RS budget for the previous year to the Government by 30 April May of the current fiscal year.
- (3) The Government reports on the RS budget execution to the National Assembly on a semi-annual and annual basis.
- (4) The Government shall file to the National Assembly the report on the execution of the RS budget for the first six months of the current fiscal year by 30 September of the current fiscal year.
- (5) The Government shall file to the National Assembly the report on the execution of the RS budget for the previous fiscal year by 31 May of the current fiscal year.

Article 47

- (1) The report on the RS budget execution referred to in Article 46 herein shall include the following:
 - a) an overview of budgetary funds and spending from the RS budget in the previous year as approved by the National Assembly,
 - b) an overview of executed budget funds and spending in the course of the previous fiscal year, which shall be recognised in such a way so as to make it possible to clearly see the difference between the approved and executed budgets,
 - v) explanations of major deviations,
 - g) information on borrowing and debt management,
 - d) information on the use of the budget reserve,
 - đ) information on the guarantees issued in the course of the previous fiscal year,
 - e) initial and final balance of the single treasury accounts and ESCROW accounts,and
 - ž) information on re-allocations as executed.
- (2) In addition to the data and information referred to in Paragraph 1 above, the report on the execution of the RS budget for the previous year the information on the initial and final state of assets, obligations and sources of funding must be recognised.
- (3) The Minister shall issue a book of rules providing for the form and content of the budget and report on the budget execution.

Article 48

(1) Article 45, 46 and 47 herein shall apply to municipalities, cities and funds.

(3) Reports on the execution of budgets of municipalities and cities for each quarter of the current fiscal year shall be submitted to the Ministry within 15 days of the date of their adoption.

(3) Reports on the execution of budgets of funds shall be submitted to the Ministry and relevant ministries within 15 days as of the date of their adoption.

(4) The relevant ministry shall inform the Government on the execution of the budgets of funds on a quarterly basis.

(5) In addition to the reports referred to in Paras 2 and 3 herein, municipalities, cities and funds shall submit other reports as well, in line with documents issued by the Ministry.

Article 49

(1) The Government shall answer to the National Assembly for the execution of the budget.

(2) Executive authorities of municipalities and cities shall answer to the assemblies of municipalities and cities for the execution of their budgets.

(3) The funds shall answer to the Government for the execution of their funds.

(4) The report on the budget execution shall be submitted in the manner laid down by this Act.

V – BORROWING AND DEBT SERVICING

Article 50

(1) Borrowing shall be understood to mean effecting of agreed loans and borrowings, and issuance of securities and guarantees in the course of a fiscal year.

(2) Debt servicing shall include the repayment of the principal, interest and servicing costs relating to loans and borrowings, obligations stemming out of the issued securities, activated guarantees, financial leasing, other financial obligations and payment of the obligations of uncovered deficit as established in the previous fiscal years.

(3) In the budgets of the RS, municipalities, cities and funds, funds shall be planned on the basis of new borrowing and funds for the servicing of debt principal, interest and servicing costs, for each fiscal year they pertain to, including an assessed amount of the activated guarantees as extended.

Article 51

The Ministry shall supply the Government with a brief report on the debt in the previous year no later than 30 June of the current fiscal year, which the Government shall submit to the National Assembly.

Article 52

Repayment of the principal, interest and servicing costs pertaining to RS debt shall be effected from the single treasury account and sub-accounts for foreign debt servicing with the BiH Central Bank.

Article 53

The method and procedure of borrowing, issuing guarantees and securities of the RS, municipalities, cities and funds, securing of funds for the repayment of the principal, interest and servicing costs, keeping records on debt, guarantees, as well as any other issues pertaining to debt, guarantees and securities shall be provided for by a separate law.

VI – BUDGETARY AND ACCOUNTING REGULATIONS AND REPORTING, BUDGETARY INSPECTION, INTERNAL CONTROL AND INTERNAL AUDIT

Article 54

(1) Individual budgetary users and funds shall prepare their annual financial reports for the previous fiscal year by February of the current year.

(2) Accuracy and correctness of the information presented in annual financial reports, as well as accuracy and timeliness of the preparation of the financial reports of individual budgetary users shall be responsibility of the managers of such budgetary users and persons responsible for accounting of those budgetary users.

Article 55

(3) Ministries, municipalities, cities and funds shall prepare their annual consolidated financial reports for the previous fiscal year for the given level of government in the RS by 31 March of the current year.

(4) Accuracy and timeliness of the preparations and presentation of annual consolidated financial reports for the given level of government in the RS shall be the responsibility of ministers, mayors, fund managers and persons tasked with preparing such reports.

Article 56

Municipalities, cities and funds shall submit to the Ministry their annual consolidated financial reports for the previous fiscal year by 5 April of the current fiscal year.

Article 57

The Ministry shall produce the annual consolidated financial reports for the users of the RS budget, the annual consolidated financial report for the users of municipality budgets and the annual consolidated financial report for funds for the previous fiscal year by 30 April of the current year.

Article 58

The total annual consolidated financial reports for the users of the budgets of the RS, municipalities, cities and funds for the previous fiscal year shall be prepared by the Ministry by 20 May of the current year.

Article 59

(1) For the purpose of implementing all provisions of this Act that pertain to the presentation of information, accounting and accounting policies, budgetary classification, financial reporting, etc. the minister shall issue the following:

a) rules providing for the principles for the preparation and presentation of information for the purpose of authorised external users,

b) rules on accounting, accounting policies and accounting assessments of the budgetary users,

v) rules on budget classifications, content of accounts and chart of accounts for users of the revenues of the budgets of the RS, municipalities, cities and funds,

g) rules on financial reporting for the users of the revenues of the budgets of the RS, municipalities, cities and funds, and

d) order on payment of certain revenues of the budgets of the RS, municipalities, cities and funds.

(2) The minister shall issue instructions, guidelines, orders, procedures and other items of secondary legislation relevant to the enforcement of this Act.

Article 60

(1) Budgetary users shall set up a system of internal control in line with generally recognised internal control standards and guidelines, which should ensure lawful, efficient, effective, accountable and transparent spending of public funds.

(2) Monitoring and assessment of the internal control system shall be the responsibility of internal audit, in line with the regulations governing the area of internal audit.

(3) Follow-up control of the lawfulness of the budget spending shall be the responsibility of the budget inspection function.

(4) The operations of the budget inspection function are based on the annual work plan and are carried out on a continuing basis throughout a year.

(5) The budget inspection function shall produce a report, at least two times a year, on its work and submit it to the relevant authority.

(6) The minister shall issue a book of rules governing the operations of the budget inspection function.

Article 61

(1) The minister shall issue a procedural decision on inspection of the intended and lawful use of funds of the budgetary users in a relevant period.

(2) The inspection control referred to in Paragraph 1 of this Article shall be carried out by budget inspectors, who the budgetary users must ensure access to all available documentation relevant to the execution of inspection in line with the minister's procedural decision.

(3) Following an inspection control of a budgetary user, the budget inspector shall draw a record of findings.

(4) Where the record of the inspection control notes breaches or irregularities in the application of the law, the budgetary inspector shall issue a procedural decision within ten days as of the date on which the report has been served on the budgetary users, by which he shall order that the established breaches or irregularities be eliminated within the given deadline, and order other measures under the law.

Article 62

(1) A complaint may be lodged against the budget inspector's procedural decision within eight days as of the date of receipt.

(2) The complaint shall be filed with the minister via the budget inspection function.

(3) The minister shall appoint a complaints board, to which the budget inspection function shall forward the complaint received along with the entire case file.

(4) Based on the written opinion of the complaints board, the minister shall issue a procedural decision, which shall be deemed final and binding in the administrative procedure.

(5) Administrative proceedings may be initiated before the relevant court against the procedural decision referred to in Paragraph 4 herein.

Article 63

(1) Where the measures as ordered by the final and binding procedural decision are not eliminated within the given deadline, for those budgetary users that do not have accounts open with banks authorised to carry out payment operations in the RS (budgetary users that are fully incorporated in the treasury system), the minister shall issue a procedural decision banning the use of budgetary funds and funds from other sources of funding.

(2) Where the measures as ordered by the final and binding procedural decision are not eliminated within the given deadline, for those budgetary users that do not have accounts open with banks authorised to carry out payment operations in the RS (budgetary users that are partially incorporated in the treasury system or operate outside of it), the minister shall issue a procedural decision banning the use of funds from transaction accounts and escrow accounts.

(3) The procedural decision banning the use of funds referred to in Paragraph 1 herein shall be distributed to the budgetary user, Department for Budget and Public Finances, Treasury Department and relevant finance services of local authorities and funds.

(4) The procedural decision banning the use of funds referred to in Paragraph 2 herein shall be distributed to the budgetary user, Department for Budget and Public Finances, Treasury Department and relevant finance services of local authorities and funds and banks with which the budgetary users have opened their accounts.

(5) The ban referred to in Paras 1 and 2 herein shall remain in place for as long as the identified irregularities are not corrected.

Article 64

(1) The responsible officer shall be punished with a fine in the amount ranging from 300 KM to 1.500 KM:

a) who fails to pay the revenues of budgetary users into the budget of the RS within the statutory proportion and deadline, under Article 8 herein,

b) who introduces new or changes the current revenues of the budgets of the RS, municipalities, cities and funds contrary to Article 14 herein,

v) who fails to observe Articles 21 through 38 in the process of preparing and adopting the budget,

g) fails to ensure that the budget is prepared in line with Article 154 herein,

d) who fails to ensure that reports on budget execution do contain sections required by Articles 45 and 47 herein,

đ) who fails to ensure that reports on budget execution are submitted within the deadlines specified by Articles 45 and 46 herein,

e) who borrows or authorises borrowing contrary to Article 53 herein,

ž) who fails to observe the provisions of the regulations issued in pursuance of this Act and

z) who within the given deadline fails to eliminate the irregularities as required by Article 61 through 63 herein.

(1) The responsible officer shall be punished with a fine in the amount ranging from 4.000 KM to 20.000 KM where he fails to observe Articles 39 through 44 in the process of budget execution.

VII - INTERIM AND FINAL PROVISIONS

Article 65

(1) The revenues collected from taxation of sales and services and from other public revenues collected under the laws in effect prior to 31 December 2005 and collected in line with rescheduled arrangements shall be distributed in line with the regulations and rules of distribution in effect prior to the enactment of this Act.

(2) Revenues from personal income tax collected under the law that was in effect prior to 31 December 2006 shall be distributed in line with the regulations and rules of distribution in effect before enactment of the Personal Income Tax Act.

Article 66

Pending the issuance of the items of secondary legislation required by this Act, the regulations that were in effect before the effective date of this Act shall apply provided they are not in collision with the provisions of this Act.

Article 67

On the effective date of this Act, the RS Budget System Act shall be set aside (RS Official Gazette No. 96/03, 14/04, 67/05, 34/06, 128/06, 117/07, 126/08 and 92/09).

Article 68

This Act shall enter into force as of the date of its publishing in the RS Official Gazette.

Ref. No. 01-1891/12
13. December 2012
BANJA LUKA

Speaker
of the National Assembly
Igor Radojičić, *manu propria*