

17 Annex - Economic and monetary policy

145. BUDGET LAW

Pursuant to Article 88 Item 2 of the Constitution of the Republic of Montenegro I hereby issue the

DECREE PROMULGATING THE BUDGET LAW

(Official Gazette of the Republic of Montenegro 40/01, 44/01, 71/05, Official Gazette of Montenegro 12/07 of 14 December 2007, 73/08 of 2 December 2008, 53/09 of 7 August 2009)

I hereby promulgate the Budget Law adopted by the Parliament of the Republic of Montenegro at its sitting of the first extraordinary session in 2001, on 8 August 2001.

Number: 01-2703/2

Podgorica, 9 August 2001

The President of the Republic of Montenegro

Milo Đukanović, m.p.

BUDGET LAW

I.GENERAL PROVISIONS

Article 1

This Law regulates the adoption of the budget, records and budget management, budget preparation and planning, the execution of the budget of Montenegro (hereinafter referred to as the State) and the budgets of municipalities, borrowings and guarantees; internal control; budget accounting; the State Treasury; budget operations and internal audit.

Article 2

Pursuant to the powers under this Law, the Ministry of Finance shall issue orders, instructions, programmes, and further orders and guidelines for the implementation of this Law.

Article 3

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

“**Budget**” is a financial plan based on the annual estimates of receipts and expenditures;

“**State budget**” is the estimate of annual receipts and expenditures as approved by the Parliament of Montenegro (hereinafter referred to as the Parliament);

“**Current budget**” is the plan intended for funding or improvement of regular business activities, as well as for recurring expenditures related to one fiscal year;

“**Capital budget**” is the plan related to the period up to or exceeding one year which increases the value of non-financial assets and covers the acquisition of infrastructure of general significance, local infrastructure, building structures, land and equipment;

- “Debt repayment”** is transactions that refer to the repayment of long-term and short-term, domestic and foreign loans and securities, guarantees and obligations from the previous years;
- “Program budget”** is part of the annual budget law that contains tasks and activities of individual spending units which are undertaken for the purpose of efficient funds management according to proposed programmes and sub- programmes, which contribute to accomplishment of strategic goals in accordance with economic policy of the State
- “Municipal, Historical Royal Capital and Capital budget”** is the estimate of annual receipts and expenditures adopted by the municipal assembly, **Historical Royal Capital Assembly and Capital Assembly**;
- “State funds budget”** is the estimate of annual receipts and expenditures of the Pension and Disability Insurance Fund of Montenegro, Health Insurance Fund of Montenegro, Employment Office of Montenegro, Development Fund of Montenegro, Compensation Fund and other funds established in accordance with the law;
- “Spending units”** are the state bodies, ministries, administrative bodies, state funds, local self-government bodies and local government bodies;
- “Payments”** are any monetary transactions resulting in a reduction in the balance of a bank account;
- “Commitment”** is an undertaken liability to reserve the funds for payment of delivered goods and services;
- “Bank account”** is an account for the receipt, payment or transfer of state money;
- “State money”** is the money under control and at the disposal of the State or municipality;
- “Budget executor”** is a person responsible for the execution of the budget, or the person authorized by him;
- “Treasury Consolidated Account”** is the total of all accounts in which the state money is recorded, and which are in the function of the state or municipal budget;
- “Transfers”** are payments or transfers of ownership rights, without a requirement for a counter-service;
- “Treasury General Ledger”** is the basic book of double-entry bookkeeping, which serves for recording the adjustments in accounts;
- “General revenues”** are the revenues used to finance public expenditures and which purpose is not defined in advance by law;
- “Earmarked revenues”** are the revenues used to finance public expenditures and which purpose is defined in advance by law;
- “Own revenues”** are the revenues realized by a spending unit from commercial performance of business activity or delivery of services;
- “Budget classification”** is a system of uniform classification based on which the budget is prepared and executed, and it comprises: organizational, economic, functional, program and project classification;
- “Organizational classification”** is a structure of codes used for classification of the spending units and their subordinated units in the hierarchical organizational structure of the State;
- “Economic classification”** is a structure of codes used for classification of revenues, expenditure, asset, liabilities, and equity according to the accepted international government financial statistics classification;
- “Functional classification”** is a classification of the functions of the State and the municipalities, according to the accepted international classification;
- “Program classification”** is a structure of codes used for classification of programmes and sub-programmes;

“**Project classification**” is a structure of codes used for the classification of capital projects;

“**Borrowing**” is undertaking financial obligations with regard to loan agreements, issue of debt securities and issued guarantees;

“**State guarantee**” is the guarantee issued by the Parliament or Government of Montenegro (hereinafter referred to as the Government) for the purpose of securing repayment of liabilities arising from loan agreements or debt securities;

“**State debt**” is total debt of the State and local self-government units;

“**Public sector**” is state bodies, local self-government unit, independent regulatory bodies, legal persons, general and limited partnerships in which the State or municipalities have a majority ownership share;

“**Transfer loan**” is a form of loan, which the Government has received from another lender for the purpose of granting it to end-users of the loan;

“**Swap**” is a financial agreement on granting the loan for the purpose of ensuring risk hedging, under variable conditions in respect of interest and currency;

“**Derivative**” is a financial security whose value is derived in part from the value and characteristics of another security, the underlying asset;

“**Independent regulatory authorities**” are Agency for Electronic Communications and Postal Services, Broadcasting Agency, Energy Regulatory Agency, Securities and Exchange Commission, Insurance Supervision Agency and other independent regulatory authorities established in accordance with the law;

“**Public institutions**” are schools, hospitals, cultural institutions, social services centres and other public institutions established in accordance with the law;

“**Contracts**” are contracts signed by the Government having fiscal impact on the budget of the State.

II. BUDGET ADOPTION, RECORDS AND BUDGET MANAGEMENT

Article 4

The budget shall be adopted for the fiscal year and shall be valid during the year for which it is passed.

The fiscal year shall be the calendar year.

Article 5

The State Budget Law for the fiscal year (hereinafter referred to as the State Budget Law) shall be passed by the Parliament.

The decision on the municipality budgets for the fiscal year (hereinafter referred to as the decision on municipality budgets) shall be passed by municipal assemblies.

Article 6

The budget shall include the current, funding transactions, and capital budget and state funds budget indicating expenditures and receipts by source of origin.

Expenditures shall balance out with receipts.

Article 7

In the event that during the fiscal year a law, other regulation or contract is adopted having an effect of decreasing the planned receipts or increasing the planned expenditures, a proposer is obliged to propose sources of the financing of planned expenditures.

If during the fiscal year the planned receipts or expenditures are increased or reduced, the proposal for budget balancing may be prepared.

Budget balancing shall be done through budget amendments, in the manner and in compliance with the procedure prescribed for its adoption.

Article 8

In the event that during the fiscal year due to extraordinary circumstances and needs, the planned expenditures increase or planned receipts decrease, the Government shall balance the budget.

Article 9

Receipts shall comprise the following:

- 1) current revenues (taxes, contributions, fees, charges, concessions and other revenues);
- 2) receipts from sale of assets;
- 3) receipts from loan repayments;
- 4) donations and transfers;
- 5) borrowings and loans (domestic and external);
- 6) other revenues determined in accordance with law.

Article 10

Expenditures shall comprise the following:

- 1) Current expenditures for: gross salaries and contributions paid by employers, other personal income, expenditures for material and services, current maintenance, interest, rentals, subsidies and other expenditures;
- 2) social protection transfers;
- 3) transfers to institutions, individuals, non-governmental and public sector;
- 4) capital expenditure for procurement and investment reflection of financial and non-financial assets;
- 5) lending;
- 6) repayment of debt, guarantees and liabilities from previous years;
- 7) other payments in accordance with law.

Article 11

Treasury Consolidated Account shall be established and maintained within the Ministry of Finance.

State budget receipts, commitments, expenditures, lodgements and withdrawals shall be recorded in the Treasury General Ledger.

No expenditure shall be made from the Treasury Consolidated Account except where appropriated by the State Budget Law.

Where an amount is re-credited to the Treasury Consolidated Account after having been recorded as expenditure, such transaction shall be annulled.

Article 12

The Ministry of Finance shall issue orders to open bank accounts.

A responsible person may only dispose of state money on the basis of authorizations issued by the Ministry of Finance.

The bank accounts, referred to in paragraph 1 of this Article, shall have a name that includes the word "state".

A responsible person shall not misuse or improperly dispose of the state money, or use it in the manner contrary to the provisions of this Law.

Article 13

The Ministry of Finance shall enter into an agreement with the Central Bank of Montenegro (hereinafter referred to as the Central Bank), regarding the provision of banking services on behalf of the State.

Exceptionally, in the event that the Central Bank is unable to organize the provision of any of the services from the paragraph 1 of this Article, the Ministry of Finance may enter into agreement with a bank resident of the State for the provision of such services, including the establishment of overdraft arrangements.

Exceptionally, in the event that the Central Bank is unable to organize the provision of any of the services from the paragraph 2 of this Article, the municipality and/or independent regulatory authority may enter into agreement with a bank resident of the State for the provision of such services, including the establishment of overdraft arrangements.

In the event of paragraphs 3 and 4 of this Article, the Ministry of Finance, municipality and/or independent regulatory authority shall, prior to concluding an agreement with a bank resident of the State, consider the advice of the Central Bank on the matter.

Article 14

The Ministry of Finance may waive the collection of tax and non-tax claims that belong to the State Budget allow payment by instalment and capitalise tax and non-tax claims for regional development purposes, restructuring of business entities, as well as for other purposes pursuant to regulation passed by the Government.

The Government may pass a decision on write off of claims of matured tax and non-tax claims incurred before coming to effect of this Law.

The draft of the regulation referred to in paragraph 1 and draft of the decision referred to in paragraph 2 above shall be reported to the competent committee.

Article 15

The Ministry of Finance may invest idle funds of the Treasury Consolidated Account, in accordance with the Guidelines of the Debt Management Strategy, in:

- deposits with the Central Bank or with another bank with low credit risk in EUR or in another currency;
- State securities or other types of securities with low credit risk in EUR or in another currency.

Article 16

The difference between the receipts and expenditures is the cash surplus or deficit, where

the inflows are reduced by the borrowings, received transfers, donations and receipts from sale of assets, and expenditures are reduced by repayment of principal of domestic and foreign debt incurred by borrowings or securities issuance and change in net liabilities from the previous year that do not have the character of borrowings.

The change in net liabilities from the previous years shall be reported as the difference of liabilities at the beginning and end of the fiscal period.

Article 17

The Law on State Budget shall stipulate the use of the budget surplus, as well as the sources for financing the budget deficit.

The budget deficit shall be financed by long-term and short-term borrowings from domestic and external sources and by the issuance of long-term and short-term securities.

The long-term borrowings and securities may finance the capital budget.

Short-term borrowings and securities, referred to in paragraph 2 of this Article, may also be used for the purpose of providing the liquidity independently from the annual increase of debt limit stipulated by the Law on State Budget, for the period not exceeding six months.

The budget surplus may be used for premature debt repayment and must be reported in the final account of the State.

Article 18

The records of the municipal budget receipts and expenditures shall be kept in accordance with the provisions of this Law referring to the records of State Budget.

A responsible person in the municipality shall manage the municipal budget, in the manner stipulated by this Law referring to the management of State Budget.

III. BUDGET PREPARATION AND PLANNING

Article 19

The preparation of the State Budget shall be based on the projections of economic development, macroeconomic stability, economic policy, laws and other regulations.

Article 20

In February of the current year, the Ministry of Finance shall, based on Guidelines for development of capital budget to be adopted by the Government, issue technical instructions for preparation of capital budget of spending units and local self- government units which propose capital projects for the following fiscal year.

Spending units that are proposing capital projects shall be obliged to submit their requests for budget allocations for capital projects to the Ministry of Finance by 31 March of the current year for the following fiscal year.

The Government shall determine strategic priorities of economic policy for the following fiscal year no later than 31 March of the current year, at the proposal of the state administration body responsible for proposing economic policy for the following fiscal year.

The Ministry of Finance shall prepare and, in April, submit a report on the realisation of macroeconomic and fiscal policy for the current year and propose targets and directives of fiscal policy, on the basis of which it plans the main categories of receipts and expenditures with the estimate for the following three fiscal years.

Based on the decision of the Government on the targets and directives of fiscal policy, the

Ministry of Finance shall, in May of the current year, issue technical instructions for preparation of budgets of spending units and budget of local self-government for the following fiscal year.

The technical instructions referred to in paragraph 5 of this Article shall include: important economic parameters, instructions guidelines and deadlines for preparation of the budget, approximate amounts of expenditures for each spending unit and recommendations for the approximate amounts of expenditures of local self- governments, based on which the spending unit and local self-government unit shall independently plan their expenditures, as well as capital budget projection for the following year, with the assessment of expenditures of current and capital budget for the following three years, based on the guidelines and objectives of fiscal policy established by the Government.

Article 21

Spending units shall, as a part of their procedure for planning the budget, submit requests to the Ministry of Finance for allocation of budgetary funds, by the end of July of the current for the following fiscal year.

The request referred to in paragraph 1 of this Article shall include:

- 1) Current-programme budget;
- 2) Transactions of financing;
- 3) Capital budget;
- 4) Outflows estimates according to economic, functional, programme and project classification, determined by the Ministry of Finance in accordance with international standards;
- 5) Funding sources;
- 6) Explanation of expenditures estimates;

The Ministry of Finance shall prescribe detailed content and the form of the request referred to in paragraph 1 of this Article.

Article 22

The Ministry of Finance shall, on the basis of the estimates of receipts and submitted budget requests for the allocation of budget funds, in the draft Law on the State Budget, propose expenditures for spending units, and if there is a deficit, it shall determine sources of funds for its financing.

In the event of disagreement during discussions on draft Law on the State Budget between the Minister of Finance and the persons responsible for spending units, the Ministry of Finance shall prepare the proposal of the final solution for the Government.

Article 23

The Ministry of Finance shall prepare the draft Law on the State Budget and shall submit it to the Government in October.

The competent municipality body shall prepare the draft decision on municipality budget and submit it to the Ministry of Finance for insight by 15 November.

Article 24

The Government shall determine the proposal of the Law on the State Budget and submit it to the Parliament in November.

The competent body of the municipality shall determine the proposal decision on the municipal budget and submit it to the Municipal Assembly by the end of November.

The managing board of the state fund shall adopt the draft budget of the fund for the following fiscal year and submit it to the Ministry of Finance by the end of August.

Article 25

Deleted. (Official Gazette of Montenegro 12/07)

Article 26

The Law on State Budget, as well as a decision on municipalities' budgets, shall include a general and specific part:

The general part includes the following:

- 1) The estimate of receipts and expenditures stated according to the economic classification for current and capital budget;
- 2) Normative part of the budget in details regulating its execution;
- 3) The usage of surplus and the cover of the deficit;
- 4) The current and the permanent budgetary reserve.

The specific part shall include the expenses of spending units according to organizational, functional, programme and project classification with sources of funding.

Article 26a

The competent municipal body shall, prior to the adoption of the proposal of the Decision on State Budget, obtain the opinion of the Ministry of Finance on the proposed level and structure of expenses, salary policy, capital expenditures and sources of financing and the level of surplus and/or deficit.

Article 27

The following shall be enclosed to the proposals to the Law on State Budget and the decision on municipal budgets that are submitted for review to the Parliament or local assemblies:

- 1) A review of planned receipts and expenditures for the following three fiscal years, including the review of multiyear commitments, multiyear expenditures and investment programmes;
- 2) Deleted

The proposals of the financial plans with the plan of activities of the independent regulatory bodies shall be submitted with the proposal of the Law on State Budget for adoption.

Article 28

If the state budget is not approved by December 31, the Ministry of Finance shall, until the budget is approved, on monthly basis, approve funds for spending units up to 1/12 (one twelfth) of actual expenditures of the previous fiscal year.

Article 29

The person in the municipality, who is responsible for the preparation and planning of the municipal budget in accordance with the provisions of this Law, shall have the same authority as the Minister of Finance with regard to the preparation and planning of the state budget.

IV. BUDGET EXECUTION

Article 30

The Minister of Finance is responsible for the execution of the State budget.

Article 31

Spending units shall use the funds determined by the Law on State Budget in accordance with the time schedule approved by the Ministry of Finance.

Spending units shall determine the allocation of the funds for expenditures within the units under their authority.

Budget executors are responsible for the legal use of allocated funds within their spending units.

The commitments of the spending units shall comply with the funds, which are, for a specific period, approved by the Ministry of Finance.

A spending unit may undertake new commitments, the expenditure of which will extend into subsequent fiscal year under the condition that such expenditure is planned for the next fiscal year, or based on the proposal of the Ministry of Finance approved by the Government.

Article 32

Earmarked revenues and revenues realized by the performance of business activities of the spending units shall be deposited in the bank account referred to in Article 12 of this Law.

Revenues referred to in paragraph 1 of this Article shall be used for financing expenditures of spending units in accordance with the purpose envisaged by law.

Article 32a

Public institutions that realise the revenues from performing their own activities, which are not included in the Consolidated Treasury Account, may use such revenues for funding current and capital expenditures.

Article 33

For urgent and contingent outflows, during the fiscal year, current and permanent reserve funds shall be used.

The Ministry of Finance shall decide on usage of funds from the current and permanent reserves, with the previous approval from the Government.

The Ministry of Finance shall determine more detailed criteria for usage of funds from reserves referred to in paragraph 2 of this Article.

The Ministry of Finance may provide funds from reserves to cover liabilities undertaken by concession agreement in accordance with law.

Article 34

The spending units and municipalities shall submit the reports to the Ministry of Finance on realized receipts and executed expenditures, in accordance with the regulations adopted by the Ministry of Finance.

Article 35

The Government may reallocate the appropriations determined by the Law on State Budget among the spending units, up to the limit of 10% of the total amount planned for the spending unit.

The amount of up to 10% referred to in paragraph 1 of this Article shall be applied to the total amount of funds approved for expenditures which amount is being reduced. The reallocated funds according to individual expenditures and programmes shall be allocated by means of the decision of the Minister of Finance.

Spending units may, with the approval of the Ministry of Finance, reallocate the approved funds according to programmes and individual expenditures in the amount up to 10% of funds determined in the Law on State Budget for programmes and expenditures which amount is being reduced.

The reallocation of funds for expenditures is not permitted for the programmes funded from donations of European Union funds.

Article 35a

The spending unit that realizes the capital budget shall be obliged to inform the Ministry of Finance upon the completion of the project, on unused funds planned for such capital project.

At proposal of the Ministry of Finance, the Government may redirect unused funds referred to in paragraph 1 of this Article to other capital projects.

Article 35b

Spending unit shall be obliged to inform the Ministry of Finance if during the fiscal year the planned capital project has not been realized due to extraordinary or unforeseen circumstances.

At proposal of the Ministry of Finance, the Government may redirect the unused funds referred to in paragraph 1 of this Article to other capital projects.

Article 36

Funds approved for spending units may only be used by 31 December of the fiscal year.

Outstanding commitments in the current fiscal year shall be realized from the funds approved for the next fiscal year.

Article 37

The municipal budgets shall be executed in accordance with the manner and procedure prescribed by this Law for execution of the state budget, and authorities that the Minister of Finance has in respect of the execution of the state budget are equivalent to those that responsible persons in the municipalities have.

V. BORROWINGS AND GUARANTEES**Article 38**

The State may take borrowings to the level of annual borrowings, established by annual budget law.

Total amount of guarantees issued by the State, shall be established by annual budget law.

The Government shall make decisions with regard to borrowings and issue of guarantees in accordance with annual budget law.

End-user of guarantee and transfer loan shall pay risk fee, in the amount of 0.5% of the amount of the guarantee or loan.

The fee referred to in paragraph 4 of this Article shall be the revenue of the Budget of Montenegro.

The Government shall, at proposal of the Ministry of Finance, establish the bases for negotiations and conclusion of loan contracts for which guarantee is issued. The Ministry of Finance shall submit to the Government a report on the loan negotiations accompanied by the wording of the loan contract.

Legal entity using a state guarantee must obtain the approval of the Ministry of Finance prior to contracting any new loan.

User of guarantee or transfer loan shall be obliged to, without delay, refund the amount of outstanding loan, or transfer loan, if it concludes a new loan contract without the approval referred to in paragraph 7 of this Article.

The Ministry of Finance shall keep records and monitor settlement of liabilities in respect of issued guarantees and transfer loans.

The guarantees and transfer loans shall be given in accordance with the guidelines from the Debt Management Strategy.

The Government may assume the debt under special law or annual budget law.

Article 39

The State may borrow for:

- financing expenditures of the State Budget in accordance with annual budget law;
- redemption and repurchase of state debt;
- maintaining liquidity;
- protecting from risk by entering swap contracts and purchase derivative contracts;
- financing other needs in accordance with law;

The Minister of Finance shall sign contracts and other acts on borrowings of the State, or issuance of guarantees.

The Ministry of Finance shall keep records on the borrowings of the State and settle liabilities in respect of borrowings referred to in paragraph 1 of this Article, i.e. manage state debt in accordance with law and guidelines from the Debt Management Strategy.

The objective for borrowing and debt management is to finance expenditures of the State budget while minimizing costs of the debt, taking into account relevant risks.

The Government shall, at proposal of the Ministry of Finance, establish the bases for negotiations and conclusion of long-term loan contracts with international financial institutions, multilateral, bilateral and other creditors.

The Ministry of Finance shall submit to the Government a report on the loan negotiations

accompanied by the wording of the loan contract for decision-making.

The procedure for submission of the request and documentation required for issuance of guarantees, conditions to be met by local self-government units, legal persons, general and limited partnerships and the guarantees for repayment of the loan shall be regulated by the regulation of the Government in more details.

Article 40

Local self-government units may take long-term borrowings and issue guarantees with the prior consent of the Government.

The Government may take into consideration the overall macro economic situation while issuing the consent referred to in paragraph 1 of this Article.

Public enterprises founded by the Government or local self-government unit and legal persons with majority state ownership may borrow only with the consent of the Government, issued at proposal of the Ministry of Finance.

The user of funds in respect of borrowings and issued guarantees shall be obliged to submit report to the Ministry of Finance on any withdrawal of loan funds within seven days from the day of the transaction and to submit quarterly reports on the stock of total borrowings.

Article 41

The Debt Management Strategy shall define framework borrowing program for three- year period, guidelines for determination of risk for taking borrowings, guidelines for management of debt management, cash, guarantees and borrowings and other issues significant for debt management.

The Strategy referred to in paragraph 1 of this Article shall be established by the Government, with the opinion of the Central Bank.

The Central Bank shall be obliged to provide required opinion within the deadline determined by the Government.

Article 42

The Ministry of Finance shall keep the records of existing state debt, taken long-term and short-term borrowings and issued guarantees.

Competent authority in the municipality shall keep records on existing municipality debt, taken long-term and short-term borrowings and issued guarantees.

Article 43

The Government shall have unlimited authorization to repay interest and principal arising from the state debt and guarantees issued by the state from the funds kept in the Treasury Consolidated Account, in accordance with the terms and conditions contracted by the Government.

Article 43a

The State body representing the State in property – legal relations shall, at request of the creditor, issue a legal opinion to confirm that the constitutional and legal borrowing procedure has been followed.

VI. INTERNAL CONTROL, BUDGET ACCOUNTING AND AUDITING

Article 44

Budget executors shall be responsible for the accounting and internal control of transactions related to receipts, commitments and expenditures of spending units and sub- units falling within their jurisdiction.

Article 45

The Ministry of Finance shall, on behalf of the Government, bear responsibility for the accounting, internal control, borrowing and debt transactions.

Article 46

The Ministry of Finance shall prescribe the manner and the methodology of conducting internal control of the budget.

Article 47

The Ministry of Finance shall prescribe budget accounting procedures, submission of reports on the usage of budget funds, and the manner of recording receipts, expenditures, commitments, concessions, capital projects and programme budget.

The Ministry of Finance may issue special orders for submission of financial reports to the spending units and municipalities.

Article 48

The Ministry of Finance shall prescribe the manner of preparation, producing and submission of the final accounts of spending units.

Article 49

The Ministry of Finance shall prepare the draft final account of the state budget and submit it to Government by 1 of June.

Article 50

The Government shall define the proposal law on the final account of the state budget by the end of June and submit it to Parliament by the end of September.

Article 51

The final account of the state budget and the final accounts of the municipal budgets must be in accordance with the content and classifications of the budget, according to the Article 26 of this Law.

The final account, referred to in paragraph 1 of this Article, shall also include:

- 1) The initial and final balance of the Treasury Consolidated Account;
- 2) A review of executed discrepancies in regard to planned amounts;
- 3) A report on borrowings taken;
- 4) A report on spending from the budget reserves;
- 5) A report on guarantees issued during fiscal year;

- 6) A report on capital projects;
- 7) A report on realization of the programme budget;
- 8) A report on the State debt and issued guarantees;
- 9) A report on written off tax and non-tax claims referred to in Article 14 paragraphs 1 and 2 of this Law;
- 10) a report on receipts and expenditures of public institutions not included in Treasury Consolidated Account.

The report on the final account by the Supreme Audit Institution shall be submitted with the final account of the state budget.

Article 52

The final accounts of the budgets of municipalities shall be prepared by the responsible persons for each municipality, in accordance with this Law.

The final accounts of the municipal budgets shall be submitted to the Ministry of Finance for review.

Article 53

Independent regulatory bodies, legal persons, general and limited partnerships in which the State or municipalities have a majority ownership share, shall be obliged to submit financial reports to the Ministry of Finance, or to the competent local self- government authority, in accordance with the regulation adopted by the Ministry of Finance.

VII. STATE TREASURY

Article 54

The State Treasury shall be established within the Ministry of Finance and shall conduct the following operations:

- 1) Execute payments on the basis of documentation and data submitted in person or electronically by spending units, in accordance with this Law;
- 2) Maintain the Treasury General Ledger;
- 3) Manage the state receipts accounting systems;
- 4) Process funds warrants;
- 5) Prepare the Final Account of the state budget;
- 6) Financial control through the use of a commitment-based accounting system;
- 7) Ensure that no budget executor can exceed the amount of approved funds;
- 8) Monitor the execution of expenditures;
- 9) Develop and maintain the state budget accounting and manage financial information system;
- 10) Provide weekly and monthly reports to budget users;
- 11) Provide regular financial reports for the needs of the Minister of Finance and the Government;
- 12) Provide data for analysis of the financial system;
- 13) Manage the available monetary funds of the Treasury Consolidated Account;

- 14) 14) Ensure that sufficient monetary funds remain in the Treasury Consolidated Account to pay planned liabilities in a timely manner;
- 15) Keep records on state assets;
- 16) Manage the debt incurred by securities issued by the Government;
- 17) Manage the debt incurred by issued guarantees and borrowings;
- 18) Manage domestic and external debt;
- 19) Manage international donations, grants and loans;

VIII. BUDGET OPERATIONS

Article 55

Budget operations include the following:

- 1) Managing the process of budget preparation, planning and development;
- 2) Proposing guidelines and macroeconomic framework for the budget preparation and planning, and estimates of annual and midterm receipts and performance information;
- 3) Developing technical standards relating to budget preparation, planning, execution and amendments;
- 4) Analyzing the requests of spending units for budget funds allocation and realization of programmes and proposing their adjustments;
- 5) Preparing the Law of State Budget;
- 6) Preparing monthly spending plans and approving spending of funds in accordance with the monthly plans;
- 7) Analysis of fiscal effects of the law and other regulations on the system of public expenditures;
- 8) Determination and monitoring of consolidated balance of public expenditures;
- 9) Monitoring the realization of receipts and execution of expenditures;
- 10) Providing advisory support on budgetary issues to the spending units and municipalities;
- 11) Developing the budget planning process;
- 12) Monitoring the financial operations of municipalities and companies in which the State has majority ownership.

IX. INTERNAL AUDIT

Notes:

The provisions of chapter "IX INTERNAL AUDIT" and Articles 56, 57, and 57a) of the Budget Law (Official Gazette of Montenegro 40/01, 44/01 and 71/05, and Official Gazette of Montenegro 12/07) shall cease to be valid on the day of the effectiveness of Articles 39 and 40 of the Law on Public Internal Financial Control System (Official Gazette of Montenegro 73/08 of 2 December 2008).

Article 56

The Ministry of Finance shall audit the accounting documents relating to the receipts, commitments and expenditures (hereinafter: Internal Audit) of spending units and municipalities (hereinafter: audit subjects).

The Ministry of Finance may audit the earmarked usage of funds received from the state budget by legal persons using such funds.

The internal audit operations shall be performed by internal auditors (hereinafter: the auditors). The Ministry of Finance shall prescribe the manner and procedures of undertaking internal audits.

Article 57

Internal Audit operations include the following:

- 1) Assessment of work and functioning of internal control with respect to application of prescribed rules and procedures;
- 2) Control of application of the law in the area of material-financial operations and legal usage of funds;
- 3) Assessment of cost-effectiveness, efficiency and effectiveness of operations and earmarked usage of budget funds;
- 4) Verification of accuracy and completeness of accounting records and financial reports;
- 5) Liaise with the institutions responsible for external and internal audit, as well as other entities from the area of audit;
- 6) Reporting on the status of execution of the annual audit plan.

Article 57a

The audit subjects shall ensure that the auditors have free access to any records, data, documents, reports and information required for successful and efficient conduct of the audit.

The information that the auditor has access to during the audit procedure is deemed to be confidential and may be used solely for the needs of the audit.

The report on audit shall be submitted to the Minister of Finance and the audit subject.

X. TRANSITIONAL AND FINAL PROVISIONS

Article 58

The provisions of the laws and other regulations that are contrary to the provisions of this Law shall cease to be valid as of the day of commencement of the application of this Law.

Article 59

Regulations, on the basis of authorization given by this Law, shall be adopted within 12 months following the day of enactment of this law.

The regulations effective prior to enactment of this Law shall be applied by the time the regulations on the basis of authorizations from this Law are adopted.

Article 60

The Minister of Finance is hereby authorized to close the accounts of state budget users opened with the organization authorized to perform payments system operations as of the day of establishment of the Treasury Consolidated Account, i.e. formation of the State Treasury, by no later than 12 months from the day of enactment of this Law.

Resources remaining in state budget user accounts are to be transferred to the Treasury Consolidated Account, where these resources shall remain available for spending units in accordance with the provisions of this Law.

Article 61

State budgets by 2004 shall be provided with proportional annual balancing of commitments and expenditures with own revenues.

Article 61a

Municipalities and independent regulatory authorities shall, within 60 days following the day of the entry into force of this Law, propose to the Central Bank conclusion of the contract on performing banking activities.

Municipalities and independent regulatory authorities shall, five years following the day of the entry into force of this Law at the latest, transfer the difference of receipts in relation to the expenditures at the end of budgetary period to the special account held with the Central Bank for investing purposes.

State funds are obliged to be included into the Consolidated Treasury Account by 31 December 2009 at the latest.

Regulations referred to in article 14 paragraph 1 shall be passed within 90 days following the day of the entry into force of this Law.

Article 61 b

The following provisions shall cease to be valid on the day of the entry into force of this Law”

- article 28 paragraph 3 the Broadcasting Law (Official Gazette of the Republic of Montenegro 51/02, 62/02 and 56/04);
- article 13 paragraph 2 of Energy Law (Official Gazette of the Republic of Montenegro 39/03);
- article 3 and article 16 paragraph 2 of the Law on Electronic Communications (Official Gazette of Montenegro 50/08);
- article 20 paragraphs 2 and 3 of the Securities Law (Official Gazette of the Republic of Montenegro 59/00 and 28/06);
- article 185 point 6 of the Insurance Law (Official Gazette of the Republic of Montenegro 78/06) and in article 193 the words “5 and 6” shall be replaced with words “and five”.

Article 62

The Law on Public Expenditures (Official Gazette of the Republic of Montenegro 14/92) shall cease to be valid on the day of the entry into force of this Law, except for the provisions that refer to the municipal budgets, which shall be applied for the period not exceeding 18 months from the day this Law enters into force.

Article 63

This Law shall enter into force on the eighth day following its publication in the Official Gazette of the Republic of Montenegro, and shall be applied as of the day of establishment of the State Treasury, or t h e establishment of the Treasury Consolidated Account.

Notes of the Publisher:

The following provisions of Articles 36, 37, 38, 39 and 40 of the Law on amendments to this Law (Official Gazette of Montenegro 13/07 of 18 December 2007) were not entered in the cleaned text of the Law:

“TRANSITIONAL AND FINAL PROVISIONS

Article 36

State funds shall be obliged to harmonize their organisations and general acts with the

provisions of this Law by 31 March 2008.

Article 37

The accounts of State Funds shall be closed no later than 30 days from their inclusion in the Consolidated Account of the State Treasury.

The funds from the accounts referred to in paragraph 1 of this Article shall be transferred to special accounts within Consolidated Treasury Account.

Article 38

On the day this Law enters into force, the Law on Borrowings and Public Sector Debt Management Official Gazette of the Republic of Montenegro 11/04 and 13/04) and the provisions of the following articles shall cease to be valid:

- Article 116 point 2, in part of authorization for adoption of annual budget of the fund, [5]; Article 120 point 2 in part of authorization for adoption of financial statements of the fund and point 3; Article 146 point 2; Article 176 of the Law on Pension and Disability Insurance (Official Gazette of the Republic of Montenegro 54/03, 39/04 and 79/04);
- Article 62 points 2 and 3; Article 88 item 9 in part that is related to authorization for adoption of annual financial plan; Article 91 item 2, in part of authorization for adoption of annual financial plan and final account of the fund; Article 97 and 98 of the Law on Health Insurance (Official Gazette of the Republic of Montenegro 39/04);
- Article 78 point 5; Article 83 point 3 of the Law on Employment (Official Gazette of the Republic of Montenegro 5/02, 79/04);
- Article 13 indent 4 and Article 14 indent 4 with regard to the Development Fund of the Republic of Montenegro (Official Gazette of the Republic of Montenegro 46/92);
- Article 44 paragraph 4 indents 3 and 8 of the Law on Restitution of Seized Property Rights and Compensation (Official Gazette of the Republic of Montenegro 21/04).

Article 39

The Board for Constitutional Issues and Legislation of the Parliament of the Republic of Montenegro shall be authorized to define the cleaned text of this Law.

Article 40

This Law shall enter into force on the eighth day following that of its publication in the Official Gazette of Montenegro.