I. BASIC PROVISIONS

Subject

Article 1

This law regulates budget planning and execution, fiscal responsibility, loans and guarantees and other issues of importance for the budget of Montenegro (hereinafter referred to as the state budget) and the budget of the local self-government unit (hereinafter referred to as the municipal budget).

The meaning of the expression

Article 2

The terms used in this law have the following meanings:

1) the budget of state funds is an estimate of the annual receipts and expenditures of the Pension and Disability Insurance Fund of Montenegro, the Health Insurance Fund of Montenegro, the Employment Agency of Montenegro, the Compensation Fund and other funds established in accordance with the law;

2) financing transactions are receipts from loans, issued securities and repayment of loans and expenses for the overdue repayment of the debt principal based on loans and issued securities and outstanding obligations from the previous period and expenses for the purchase of securities;

3) outstanding obligations from the previous period are budgetary obligations that have not been paid on the payment due date and whose obligation arose on the basis of the law and in accordance with the law and the contract;

4) the program budget is a part of the annual budget law that contains the tasks and activities of individual spending units that are carried out in order to effectively manage funds under the proposed programs and sub-programs, and that contribute to the achievement of strategic goals in accordance with the economic policy of the state;

5) budget classification is a system of unique classification on the basis of which the budget is prepared and executed, which includes: organizational, economic, functional, program and project classification;

6) organizational classification is the structure of codes used for the classification of consumer units and administrative bodies in the composition of consumer units;

7) economic classification is a structure of codes used to classify receipts, expenditures, assets and liabilities in accordance with the accepted international classification of state financial statistics;

8) functional classification is the classification of functions of the state and municipalities in accordance with the accepted international classification;

9) program classification is the structure of codes used to classify programs and subprograms;

10) project classification is the structure of codes used for the classification of capital projects;

11) the general level of the state is the central and local level of the state;
12) **the central level of the state** is the state bodies and state administration bodies, legal entities and economic companies that predominantly provide services of public interest that are under management control and mostly financed by the state;

13) **the local level** is municipal bodies, legal entities and companies that mainly provide services of local interest and which are under management control and mostly financed by the municipality;

14) **national debt** is the debt of the central level of the state;

15) **public debt** is the debt of the central and local level, that is, the general level of the state;

16) **debt repayment** are transactions related to the repayment of long-term and short-term, domestic and foreign loans and securities, guarantees and outstanding obligations from previous years;

17) **the public sector** is state bodies, municipalities, public institutions, independent regulatory bodies, companies and legal entities in which the state or municipalities have a majority share;

18) **independent regulatory bodies** are: Agency for Electronic Communications and Postal Activity, Agency for Electronic Media, Regulatory Agency for Energy, Securities Commission of Montenegro, Agency for Insurance Supervision, Agency for Medicines and Medical Devices and other independent regulatory bodies established in accordance with the law;

19) **spending units** are state bodies, state administration bodies (ministries and administration bodies), the Protector of Human Rights and Freedoms, the State Audit Institution of Montenegro (hereinafter: the State Audit Institution), state funds, public institutions and other independent legal entities that are financed from the state budget, municipal authorities, local authorities and municipal public services;

20) **independent consumer units** are independent administrative bodies and other legal entities that are not part of the ministries, and are financed from the state budget;

21) **public institutions** are state-owned institutions that provide services of public interest (schools, hospitals, cultural institutions, centers for social work and other public institutions established in accordance with the law);

22) **transfer loan** is a form of loan that the Government of Montenegro (hereinafter: the Government) received from another lender for the purpose of granting loans to end users;

23) **swap contract** is a financial contract on granting a loan for risk protection under variable conditions in terms of interest and currency;

24) **a derivative** is a financial security whose value partly derives from the value and characteristics of another security;

25) **multi-year expenses** are expenses for gross wages, other personal incomes, social protection, financial benefits of the Employment Agency of Montenegro, capital budget and other expenses whose payment obligation is determined by law and contracts for a period longer than one fiscal year;

27) **payments** are monetary transactions resulting in a decrease in the bank account balance;

28) **contracted obligation** is an assumed obligation that reserves funds for the payment of delivered goods and services;

29) **bank account** is an account for receiving, paying and transferring state money;

30) **state money** is money at the disposal of the state or municipality or public institutions at the central or local level;
31) **budget executor** is a person who is responsible for the execution of the spending unit’s budget, that is, a person authorized by the budget executor to manage and dispose of state money;

32) **transfer** is the payment or transfer of property rights, without making a corresponding consideration;

33) **the main ledger of the treasury** is the basic ledger of double-entry bookkeeping, in which changes in account balances are recorded;

34) **general revenues** are revenues that finance public spending and whose purpose is not determined in advance by law;

35) **earmarked revenues** are revenues that finance public spending and whose purpose is determined in advance by law;

36) **own revenues** are revenues that the consumer unit realizes by performing its own activities or providing services.

II. PASSING THE BUDGET, RECORDS AND BUDGET MANAGEMENT

**Validity period**

**Article 3**

A budget is a financial plan based on annual estimates of receipts and expenditures.

The budget is adopted for the fiscal year and is valid in the year for which it was adopted.

A fiscal year is a calendar year.

**Content**

**Article 4**

The budget contains the current budget, financing transactions, capital budget, state fund budgets and reserves (current and permanent).

The budget shows expenditures and receipts according to the sources from which they originate.

The current budget is a plan intended for the financing or improvement of regular activities, as well as recurring expenses related to one fiscal year.

The capital budget is a plan that refers to a period of one year or to a period longer than one year, which increases the value of non-financial assets, and includes the acquisition of infrastructure, construction facilities, land and equipment of public or general interest (at the state and local level).

Expenditures must be balanced with receipts.

**Receipts**

**Article 5**

Receipts include:

1) current income (taxes, contributions, fees, fees, concessions and other income);
2) receipts from property sales;
3) receipts from loan repayment;
4) donations and transfers;
5) loans and credits (domestic and foreign);
6) other income, in accordance with the law.

**Expenditures**

Article 6

Expenditures include:

1) current expenses for: gross wages and contributions at the expense of the employer, other personal income, expenses for materials and services, current maintenance, interest, rent, subsidies and other expenses;

2) transfers for social protection;

3) transfers to institutions, individuals, non-governmental and public sectors;

4) capital expenditures for acquisition and investment maintenance of financial and non-financial assets;

5) given loans and credits;

6) repayment of debts, guarantees and obligations from previous years;

7) other payments, in accordance with the law.

**Proponent of regulations**

Article 7

The proposer of a law or other regulation that results in a reduction of planned receipts or an increase in planned expenditures is required, in the proposal process, to propose sources of financing for reduced planned receipts and sources of financing of planned expenditures, that is, to determine an assessment of the fiscal impact of the proposed law or other regulation.

**Balancing the budget**

Article 8

If during the fiscal year there is an increase or decrease in planned receipts or expenditures, a proposal for balancing the budget can be prepared.

Balancing the budget is done by amending the budget, in the manner and according to the procedure prescribed for the adoption of the budget.

If during the fiscal year, due to extraordinary circumstances and needs, there is an increase in planned expenditures or a decrease in planned receipts, the Government balances the budget.

**Consolidated account**

Article 9

The consolidated treasury account, in the sense of this law, is represented by all accounts where state money is recorded, and which are in the function of the state or municipal budget;

The consolidated treasury account is established and managed by the state administration body responsible for financial affairs (hereinafter: the Ministry of Finance).

Receipts and expenditures of the state budget and contractual obligations must be recorded in the general ledger of the treasury.

The payment of expenses from the consolidated treasury account is prohibited, if they are not approved by the law on the state budget for the fiscal year (hereinafter: the law on the state budget).
When the consolidated treasury account has been refunded money, which was previously recorded as an expenditure, such transaction will be reversed.

**Bank account and reporting**

**Article 10**

The Minister of Finance issues an order for opening bank accounts.

The budget executive can dispose of state money only on the basis of authorization issued by the Minister of Finance.

Bank accounts referred to in paragraph 1 of this article must have the designation "state" in their name.

The budget executive is obliged to manage and dispose of the funds allocated to the budget and to report on the receipts and expenditures made in accordance with this law, the law on the state budget and the law regulating the system of internal financial controls in the public sector.

**Agreement on banking operations**

**Article 11**

The Ministry of Finance concludes a contract with the Central Bank of Montenegro (hereinafter: the Central Bank), for the performance of banking operations on behalf of the state.

Municipalities and independent regulatory bodies conclude a contract with the Central Bank for the performance of banking operations.

Exceptionally, if the Central Bank cannot organize the performance of operations from para. 1 and 2 of this article, the Ministry of Finance, the municipality, that is, the independent regulatory body can conclude a contract for the performance of these operations with a bank resident in the country, including contracting an overdraft on the account.

**Postponement of payment**

**Article 12**

The Ministry of Finance can postpone the collection of tax and non-tax claims belonging to the state budget, approve payment in installments and capitalize tax and non-tax claims for the purposes of regional development, restructuring of economic entities, as well as for other purposes, in accordance with the regulation issued by the Government.

The regulation from paragraph 1 of this article establishes the conditions for deferring the collection of tax and non-tax claims.

The proposed regulation from paragraph 1 of this article is reported to the authority responsible for granting state aid.

**Free funds**

**Article 13**

Free funds from the consolidated treasury account, the Ministry of Finance can, in accordance with the guidelines of the debt management strategy, invest:

1) as deposits with the Central Bank or another bank with low credit risk in euros or another currency,

2) in government securities or other types of securities with low credit risk in euros or other currency.

**Surplus or deficit**
Article 14
The budget cash surplus, i.e. the deficit, represents the difference between receipts and expenditures, whereby receipts are reduced by loans, received transfers and receipts from the sale of property, and expenditures for repayment of the principal in the country and abroad on the basis of debt incurred by taking loans or issuing securities and expenditures for the purchase of securities representing financing transactions. The budget cash surplus or deficit is corrected for the amount of changes in net liabilities from previous years that do not have the character of loans.

The change in net liabilities from previous years is shown as the difference in the balance of liabilities at the beginning and end of the fiscal period.

Use of surpluses and sources of deficit financing

Article 15
The law on the state budget determines the use of the budget cash surplus, as well as the sources of financing the budget cash deficit.

The budget cash deficit is financed by taking long-term and short-term loans from domestic and foreign sources, issuing long-term and short-term securities and from other sources of financing.

Short-term loans and securities from paragraph 2 of this article can also be used for the purpose of ensuring liquidity, for a maximum of twelve months, regardless of the limit of annual debt growth established by the state budget law.

The budget cash surplus can be used for early repayment of the debt and must be reported through the final account of the state budget.

Records of receipts and expenditures

Article 16
Records of receipts and expenditures of the municipal budget are made in accordance with the provisions of this law, which regulates the records of the state budget.

The responsible person in the municipality manages the municipal budget, in the manner determined by the provisions of this law governing the management of the state budget.

III. FISCAL POLICY AND RESPONSIBILITY

Fiscal strategy

Article 17
The fiscal strategy for the duration of the Government's mandate is adopted by the Parliament.

The government prepares a fiscal strategy proposal and submits it to the Central Bank for an opinion, which is obliged to submit the opinion within 30 days from the date of submission.

Along with the fiscal strategy proposal, the Government also submits the opinion from paragraph 2 to the Parliament.

Fiscal policy guidelines

Article 18
Based on the fiscal strategy from Article 17 of this law, the Government adopts fiscal policy guidelines at the proposal of the Ministry of Finance.

Fiscal policy guidelines from paragraph 1 of this article are adopted annually for a period of three years and contain: medium-term strategic goals of economic and fiscal policy, basic
macroeconomic and fiscal indicators and projections, consumption limit, levels of gross earnings and other personal income, expenditures for pension and disability insurance and other expenditures for social protection.

**Fiscal policy planning**

**Article 19**

Fiscal policy is planned and implemented in accordance with the following criteria:

1) the primary budget cash surplus should be achieved;
2) the level of current expenditures and transfers should be lower than current income and donations;
3) borrowing policy should be responsible and with increased attention to the rules of the profession, in order to ensure fiscal sustainability;

The primary budget cash surplus referred to in paragraph 1 point 1 of this article is the budget cash surplus, minus interest expenses.

**Levels for budget planning and execution**

**Article 20**

Budget planning and execution is carried out in accordance with the following criteria:

1) the budget cash deficit of the general state level will not exceed 3% of GDP at market prices;
2) public debt will not exceed 60% of GDP at market prices.

The level of budget cash surplus, i.e. deficit and net borrowing on an annual basis is determined by the annual law on the state budget, in accordance with fiscal policy guidelines.

The net debt from paragraph 2 of this article is the difference between the debt from loans and/or issued securities and the repayment of the principal of the overdue debt.

**Correction of the deficit, that is, the use of the surplus**

**Article 21**

If the level of the deficit during the fiscal year exceeds the limit established by Article 20 paragraph 1 point 1 of this law, the Government shall, within 60 days, from the date of determination of the deviation, submit to the Parliament a proposal for measures to remedy the deficit.

In order to eliminate the risk of instability of public finances, the Government will, in the event that the public debt from Article 20 paragraph 1 point 2 of this law:

1) reaches 60% of GDP, establish a proposal for a law on amendments to the law on the state budget, which will ensure debt retention within the limits of 60% of GDP;
2) exceeds 60% of GDP, propose to the Assembly the reduction of multi-year expenditures, the reduction of municipal expenditures, as well as propose other measures to reduce the national debt.
3) exceeds 60% of GDP due to the implementation of capital projects for which the Assembly decides on borrowing, propose a rehabilitation program for a period of no longer than five years.

If, during the fiscal year, there is a lower realization of income than planned or the need to increase expenditures, which may have negative effects on the determined level of the budget cash surplus, i.e. deficit and on net borrowing, the Government will establish fiscal policy measures that will ensure the rehabilitation of the budget cash deficit, that is, the use of the surplus from Article 20, paragraph 2 of this law.
Spending limit

Article 22
The maximum level of budget spending, which is binding for the state budget law for the first year, and indicative for the second and third fiscal years, is determined by the spending limit from Article 18, paragraph 2 of this law.

The spending limit is determined as the sum of spending limits for the current budget, state fund budget, capital budget and budget reserve.

The growth rate of the consumption limit for the current budget and the budget of state funds must be lower than the planned rate of real GDP growth, that is, for the capital budget and budget reserve, it cannot be higher than the nominal GDP growth rate.

The scope of the consumption limit

Article 23
The spending limit includes:
1) expenditures of the current budget, budget of state funds and capital budget and,
2) budget reserve.

The spending limit does not include:
1) debt repayment expenses and interest for debt repayment;
2) donations from European Union funds and other donations;
3) costs of co-financing donations if the donor provides a minimum of 55% of the necessary funds and,
4) expenses for financing material damage caused by natural disasters and other extraordinary and unforeseeable circumstances, i.e. due to force majeure.

Display of spending limits

Article 24
The spending limit is expressed as:
1) for the period of three following fiscal years;
2) distribution to the current budget, budget of state funds, capital budget and budget reserve;
3) distribution to the budgets of consumer units of the first level, which includes the budgets of consumer units over which those consumer units supervise;
4) determining limits for wages and other personal income.

Consumer units of the first level are obliged to plan and coordinate their budget and the budgets of the consumer units they supervise in accordance with the established consumption limits from paragraph 1 point 3 of this article.

Report on the levels of surplus and deficit

Article 25
The Ministry of Finance prepares and publishes a report on the preliminary levels of budget cash surplus, i.e. deficit, public debt and net debt from Article 20 paragraph 2 of this law within 90 days from the end of the fiscal year on its website.

Evaluation of the application of fiscal responsibility criteria
Article 26
The state audit institution evaluates the application of fiscal responsibility criteria within the annual report submitted to the Assembly.

Based on the assessment of the State Audit Institution, the Ministry of Finance proposes to the Government, and the Government to the Assembly, a proposal for a rehabilitation plan for exceeding the numerical limits, in accordance with this law.

Fiscal rule for local government bodies

Article 27
The municipality's budget deficit in a given year cannot exceed 10% of its revenues in that year.

Exceptionally from paragraph 1 of this article, the municipality can submit a request to the Ministry of Finance for approval of exceeding the limit, i.e. the budget deficit above the specified level, no later than October 15 of the current year for the following year, only if the exceeding is aimed at financing capital expenditures.

The Ministry of Finance is obliged to respond to the municipality's request for exceeding the limit by October 31 at the latest.

The Ministry of Finance is obliged to suspend the transfer of the corresponding part of funds from the state budget to the municipality for the amount of exceeding the limit of the budget deficit, carried out without approval from paragraph 2 of this article.

IV. BUDGET PREPARATION AND PLANNING

Budget planning

Article 28
State budget planning is based on economic and fiscal policy, fiscal policy guidelines, economic growth projections and macroeconomic stability projections.

Professional guidance

Article 29
In January of the current year, the Ministry of Finance, based on the regulations for the preparation of the capital budget adopted by the Government, issues expert instructions for the preparation of the capital budget of consumer units and municipalities, which propose capital projects for the next fiscal year.

Consumer units that proposed capital projects are required to submit requests for the allocation of budget funds for capital projects to the Ministry of Finance by March 15 of the current, next fiscal year.

Fiscal policy guidelines from Article 18 of this law shall be adopted by the Government by the end of April for the next fiscal year.

Based on the guidelines of the fiscal policy, the Ministry of Finance, in May of the current fiscal year, based on the regulations for the preparation of the program budget adopted by the Government, issues expert instructions for the preparation of budgets of spending units and budgets of municipalities for the next fiscal year.

The expert instruction from paragraph 4 of this article contains: the basic determinants of the fiscal policy, that is, the guidelines of the fiscal policy, the spending limit for the next three years, fiscal restrictions, instructions, guidelines and deadlines for the preparation of the budget and recommendations for the approximate amount of municipal expenditures, on the basis of which the spending unit and the municipality independently plans its expenditures.
Planning and coordination

Article 30

Consumer units of the first level in the budget planning procedure, in accordance with Article 24 of this law, plan and coordinate the budget planning of the consumer units over which they supervise and submit a request to the Ministry of Finance for the allocation of budget funds for the next fiscal year, with an estimate of the necessary budget funds for the next two years.

The request for allocation of budget funds contains:

1) current-program budget;
2) financing transactions;
3) capital budget;
4) budgets of state funds;
5) assessment of expenditures according to economic, functional, program, project and organizational classification, determined by the Ministry of Finance in accordance with international standards;
6) sources of financing;
7) explanation of estimated expenditures and sources of financing.

The requests of consumer units are submitted by the end of July of the current, for the next fiscal year.

Draft law

Article 31

The Ministry of Finance, based on fiscal policy guidelines and submitted requests for the allocation of budget funds, proposes expenditures for consumer units in the draft law on the state budget and, if there is a deficit, determines the sources of funds for its financing.

If during the preparation of the draft of the annual budget law there are disagreements between the Ministry of Finance and spending units, the Ministry of Finance prepares a proposal for the final solution for the Government.

Deadlines for preparation

Article 32

The Ministry of Finance prepares a draft law on the state budget and submits it to the Government in October.

The competent authority of the municipality prepares a draft decision on the municipal budget and submits it to the Ministry of Finance for inspection by November 1.

The competent body of the independent regulatory body determines the proposal of the financial plan with the work plan for the following year and determines the representative of the independent regulatory body who will participate in the parliamentary procedure.

The proposal of the financial plan and the act on the appointment of the representative shall be submitted by the competent authority of the independent regulatory body to the Ministry of Finance by September 30 of the current year.

Determination of the bill

Article 33
The draft law on the state budget is determined by the Government and submitted to the Parliament by November 15.

The proposal for a decision on the municipal budget is determined by the competent authority of the municipality and submitted to the municipal assembly by December 1.

Content of the budget

Article 34

The law on the state budget and the decision on the municipal budget contain a general and a special part.

The general part contains:
1) assessment of current receipts and current expenditures and transfers, primary budget cash surplus or deficit and budget cash surplus or deficit;
2) assessment of receipts and expenditures reported by economic classification;
3) the normative part of the budget, which more closely regulates its execution;
4) use of budget cash surplus and deficit coverage;
5) current and permanent budget reserve.

The special part contains expenditures of consumer units by organizational, functional, economic, program and project classification.

The assessment of receipts and expenditures expressed by economic classification, as well as the special part of the budget, contains the maximum level of budget spending that is binding for the law on the state budget for the first year, and indicative for the second and third fiscal years.

Opinion of the Ministry of Finance

Article 35

Before adopting the proposed decision on the municipal budget, the competent authority of the municipality obtains the opinion of the Ministry of Finance on the proposed level and structure of spending, salary policy, capital expenditures and sources of financing and the level of budget cash surplus or deficit.

The opinion from paragraph 1 of this article is attached to the proposed decision on the municipal budget, which is submitted to the municipal assembly for consideration and adoption.

In case the opinion of the Ministry of Finance from paragraph 1 of this article is negative, the municipal assembly cannot adopt the Decision on the municipal budget.

Overview of receipts and expenditures

Article 36

Along with proposals for laws on the state budget and decisions on the municipal budget, an overview of planned receipts and expenditures for the next three fiscal years, including an overview of multi-year contractual obligations, multi-year expenditures and investment programs, is submitted to the Assembly, i.e. the municipal assembly.

Along with the draft law on the state budget, proposals for financial plans with a work plan for the next year of independent regulatory bodies are submitted to the Parliament for adoption.

Temporary financing

Article 37
If the law on the state budget, i.e. the decision on the municipal budget, is not adopted by December 31 of the current, next fiscal year, the Ministry of Finance, until its adoption, approves monthly funds to spending units up to the amount of 1/12 (one twelfth) of actual expenditures in the previous fiscal year year, and the responsible person in the municipality, until the adoption of the municipal budget, approves funds in accordance with the law governing the financing of local self-government.

Authorization of the responsible person in the municipality

Article 38
The person responsible for the preparation and planning of the municipal budget, in accordance with the provisions of this law, has the powers that, in relation to the preparation and planning of the state budget, the Minister of Finance has.

V. EXECUTION OF THE BUDGET

General liability for performance

Article 39
The Minister of Finance is responsible for executing the state budget.

Execution dynamics

Article 40
Consumer units are obliged to use the funds within the limits established by the law on the state budget.

Consumer units are obliged to use the funds according to the dynamics approved by the Ministry of Finance.

Exceptionally from paragraph 2 of this article, funds determined by the annual state budget law for the Assembly of Montenegro shall be used according to the dynamics determined autonomously by the General Secretary of the Assembly. The Government of Montenegro, i.e. the competent ministry cannot suspend, postpone or limit the execution of the budget related to the Parliament of Montenegro without the consent of the President of the Parliament of Montenegro.

The budget executor is responsible for the legal use of funds granted to the spending unit.

The contracted obligations of the consumer unit must be in accordance with the planned and approved funds in accordance with the law on the state budget.

The consumer unit can assume new contractual obligations, which will be realized in the next fiscal year, provided that the expenditure is defined as a multi-year expenditure in the current budget, with the prior approval of the Ministry of Finance.

Dedicated revenues

Article 41
Dedicated revenues and revenues generated from the activities of consumer units are paid into the bank accounts referred to in Article 10 of this law.

Revenues from paragraph 1 of this article are used to finance expenditures of consumer units according to the purpose established by law.

Revenues of public institutions from activities

Article 42
Public institutions that generate income from the performance of their own activities, which are not included in the consolidated treasury account, can use these incomes to finance current and capital expenditures, with the approval of the Ministry of Finance on the income and expenditure plan for the fiscal year and prior notification of the state administration authority in charge of them. Supervises and approves.

The income and expenditure plan referred to in paragraph 1 of this article shall be submitted to the Ministry of Finance and the state administration body that supervises the public institution no later than December 1 of the current year, for the next fiscal year.

**Current and permanent reserve**

**Article 43**

For unplanned and insufficiently planned expenses during the fiscal year, funds from the current reserve are used.

Permanent reserve funds are used for urgent and unforeseen expenditures during the fiscal year. The Ministry of Finance decides on the use of current and permanent reserve funds, with the prior approval of the Government.

**Consumer unit report**

**Article 44**

The consumer unit is obliged to submit to the Ministry of Finance an accurate and complete report on receipts, expenditures and contractual obligations.

The content of the report from paragraph 1 of this article is determined by the Ministry of Finance.

**Diversion of funds**

**Article 45**

The government can redirect funds determined by the law on the state budget in the amount of up to 10% of the total planned funds of the spending unit between spending units.

The amount from paragraph 1 of this article is applied to the total planned expenditures of the consumer unit whose approved amount of funds is reduced. Redirected funds for individual expenditures and programs are distributed by decision of the Minister of Finance.

Consumer units, with the approval of the Ministry of Finance, can redirect approved funds by programs and individual expenditures, in the amount of up to 10% of the funds determined by the law on the state budget for programs and expenditures, the amount of which is reduced.

In the case of programs financed by donations from the European Union funds and other donations, it is not allowed to redirect funds by expenses.

Funds provided for co-financing donations from European Union funds and other donations are not allowed to be used for other purposes.

**Unspent capital budget funds**

**Article 46**

The consumer unit that implements the capital budget is obliged to inform the Ministry of Finance about the unspent funds planned for that capital project after the completion of the capital project.

The consumer unit is obliged to inform the Ministry of Finance if during the fiscal year due to extraordinary or unforeseen circumstances the planned capital project is not realized.
Unspent funds from para. 1 and 2 of this article, the Government may, at the proposal of the Ministry of Finance, redirect to other capital projects.

Redirect Prohibition

Article 47

The redirection of funds determined by the law on the state budget from the capital budget to the current budget and budget of funds is not allowed.

Deadline for using approved funds

Article 48

Funds approved by spending units can be used until December 31 of the fiscal year.

Unpaid contractual obligations in the current fiscal year are realized from funds approved for the next fiscal year.

Unpaid contractual obligations from the previous fiscal year have priority in paying the obligations of the consumer unit.

Implementation of the municipal budget

Article 49

The execution of the municipal budget is carried out in the manner and according to the procedure prescribed by this law for the execution of the state budget, and the powers that the Minister of Finance has in the execution of the state budget are held by the responsible person in the municipality.

VI. LOANS AND GUARANTEES

Borrowing

Article 50*

During the fiscal year, the state can borrow up to the level determined by the annual law on the state budget.

Borrowing from paragraph 1 of this article is the assumption of financial obligations based on credit agreements, issuance of debt securities and issued guarantees.

Long-term borrowing, in the sense of this law, is considered borrowing for a repayment period longer than 12 months.

Total annual borrowing does not include the amount needed for debt refinancing.

Refinancing from paragraph 4 of this article is borrowing for the purpose of settling obligations based on previous indebtedness.

Debt assumption

Article 51

The state can take over the debt only by a special law or an annual law on the state budget.

The state can borrow for:
- financing of state budget spending in accordance with the annual budget law;
- purchase and refinancing of state debt;
- maintenance of budget liquidity;
- risk protection by concluding swap contracts and contracts on the purchase of derivatives;
- financing of other needs in accordance with the law.

Contracts and other documents on state borrowing are signed by the Minister of Finance.

**Basics for negotiations**

**Article 52**

The bases for negotiations and conclusion of long-term loan agreements with international financial institutions, multilateral, bilateral and other creditors are determined by the Government, on the proposal of the Ministry of Finance.

The Ministry of Finance submits to the Government a report on loan negotiations with a proposal for a loan agreement for decision.

**State guarantees**

**Article 53**

The total amount of guarantees provided by the state is determined by the annual law on the state budget.

State guarantees can only be given for the financing of capital projects.

A state guarantee is a guarantee issued by the Government for the purpose of ensuring the repayment of obligations based on credit agreements or debt securities.

The total amount of guarantees may not exceed 15% of GDP.

The Ministry of Finance submits the basis for negotiations and concluding a loan agreement for which a guarantee is provided and a report on loan negotiations with a proposal for a loan and guarantee agreement to the Government for determination.

**Risk fee**

**Article 54**

The end user of the guarantee and transfer loan pays a risk fee, in the amount of 0.5% of the amount of the guarantee or loan.

The fee from paragraph 1 of this article is the revenue of the budget of Montenegro.

**Beneficiary of the warranty**

**Article 55**

A legal entity that uses a state guarantee must obtain the approval of the Ministry of Finance before contracting each new loan.

The user of the guarantee, or transfer loan, is obliged to, without delay, repay the amount of the unpaid loan, or transfer loan, if he concludes a new credit agreement without the approval from paragraph 1 of this article.

**Giving and recording guarantees**

**Article 56**

Contracts and other documents on the provision of guarantees are signed by the Minister of Finance.

The Ministry of Finance keeps records and monitors the settlement of obligations under issued guarantees and transfer loans.
Guarantees and transfer loans are given in accordance with the guidelines established by the debt management strategy.

**Borrowing of municipalities**

**Article 57**

Municipalities can take out long-term loans and provide guarantees with the prior consent of the Government, which is given at the proposal of the Ministry of Finance.

Businesses and legal entities that are majority-owned by the state or municipality can take long-term debt with the prior approval of the Government, which is given at the proposal of the Ministry of Finance.

The beneficiary of funds based on long-term borrowing and issued guarantees is obliged to submit a report to the Ministry of Finance on each withdrawal of credit funds, within seven days from the day of withdrawal, and to submit quarterly reports on the state of total indebtedness.

The procedure for submitting an application, the documentation required for obtaining a guarantee and borrowing, and the conditions that must be met by municipalities, legal entities and companies, and the means of securing loan repayment are regulated in more detail by the Government regulation.

**Debt management strategy**

**Article 58**

The debt management strategy contains a framework borrowing program for a three-year period, guidelines for determining risks when taking loans, guidelines for managing debt, cash, guarantees and loans and other issues of importance for debt management.

The strategy from paragraph 1 of this article is adopted by the Government, with the opinion of the Central Bank.

If the Central Bank does not submit the opinion from paragraph 2 of this article within 15 days, from the date of submission of the strategy proposal, the Government will establish the strategy without the opinion of the Central Bank.

**Debt management and records**

**Article 59**

The state debt is managed and records of the state's existing debt, long-term and short-term loans taken and guarantees are kept by the Ministry of Finance in accordance with this law.

The competent authority in the municipality keeps records of the existing debt of the municipality, long-term and short-term loans taken and guarantees given, and submits a quarterly report on this to the Ministry of Finance within 30 days from the end of the quarter.

The Ministry of Finance consolidates records on public debt.

The Ministry of Finance and municipalities are obliged to provide the records from para. 1 and 2 of this article are published on their websites, quarterly.

**Interest and principal on debt**

**Article 60**

The Government has unlimited authority to pay interest and principal on the basis of the state debt and guarantees provided by the state, in accordance with this law, from the funds kept in the consolidated treasury account, in accordance with the terms and deadlines agreed by the Government.
Confirmation of the legality of borrowing

Article 61
The Protector of Property and Legal Interests of Montenegro, at the request of the creditor, issues a legal opinion confirming that the constitutional and legal borrowing procedure has been followed.

VII. ACCOUNTING AND FINAL BUDGET ACCOUNT

Accounting and internal control

Article 62
Budget implementers are responsible for proper and accurate accounting and internal control of receipts, contractual obligations and expenditures of consumer units and their constituent bodies.

Responsibility for budget planning and execution

Article 63
The Ministry of Finance is responsible for budget planning and execution, accounting, borrowing and managing the national debt.

Method of accounting and reporting

Article 64
The method of budget accounting, submission of reports on the use of budget funds and the method of recording receipts, expenditures, contractual obligations, concessions, capital projects and program budgets are prescribed by the Ministry of Finance.

The Ministry of Finance can issue a special order to consumer units, municipalities and other public sector entities to submit a financial report.

Consumer units, municipalities and other entities of the public sector are obliged to submit a financial report by order of the Ministry of Finance.

Preparation of the final account of consumer units

Article 65
The Ministry of Finance prescribes the method of preparation, preparation and submission of final accounts of consumer units.

The final account of the consumer unit is submitted by the end of February of the current, previous fiscal year.

The deadline for the preparation of the draft law on the final account

Article 66
The Ministry of Finance prepares a draft law on the final account of the state budget and submits it to the Government by June 1 of the current, for the previous fiscal year.

The deadline for establishing the Bill on the final account

Article 67
By the end of June, the Government shall determine the Draft Law on the final account of the state budget and submit it to the State Audit Institution, which shall submit the report on the audit
of the final budget account to the Assembly by October 15 of the current year, for the previous fiscal year.

By the end of September, the government will submit the Bill on the final budget account to the Parliament.

The competent body of the independent regulatory body determines the proposal of the financial report with the report on work, i.e. the state for the previous year and determines the representative of the independent regulatory body who will participate in the parliamentary procedure.

The competent authority of the independent regulatory body submits the proposal of the financial report and the act on the appointment of the representative to the Ministry of Finance by April 30 of the current year, for the previous year.

Contents of the final account

Article 68

The final account of the state budget and the final account of the municipal budget must be in accordance with the content and classification of the budget, according to Article 34 of this law.

The final budget account also contains:
1) the opening and closing balance of the consolidated treasury account;
2) review of deviations from the planned amounts;
3) report on loans taken;
4) report on expenditure of budget reserves;
5) report on guarantees given during the fiscal year;
6) report on capital projects;
7) report on the implementation of the program budget;
8) report on state debt and guarantees given;
9) report on tax and non-tax claims from Article 12 of this law;
10) report on receipts and expenditures of public institutions that are not included in the consolidated treasury account;
11) report on the state of outstanding obligations that do not have the character of loans in accordance with Article 14 paragraph 2 of this law.

The final account of the municipal budget

Article 69

The final account of the municipal budget is prepared by the responsible person in the municipality, in accordance with this law.

The final account of the municipal budget is submitted to the Ministry of Finance for inspection.

Submission of financial statements

Article 70

Independent regulatory bodies, public institutions, legal entities, companies in which the state or municipalities have a majority share in ownership, are obliged to submit financial reports to the Ministry of Finance, i.e. to the competent authority of the municipality, in accordance with the regulation issued by the Ministry of Finance.
VIII. AFFAIRS OF THE STATE TREASURY AND BUDGET

Affairs of the state treasury

Article 71

The State Treasury is established in the Ministry of Finance and performs the following tasks:

1) makes payments on the basis of documentation and data submitted in person or by electronic mail by consumer units, in accordance with this law;
2) keeps the general ledger of the treasury;
3) manages the accounting system of government receipts;
4) processes orders for spending funds;
5) prepares the final account of the state budget;
6) financial control through the use of an accounting system based on planned obligations;
7) takes care that budget implementers do not exceed the amount of approved funds;
8) monitors the execution of expenditures;
9) develops and manages state budget accounting and manages the financial information system;
10) provides weekly and monthly reports to budget users;
11) provides regular financial reports for the needs of the Minister of Finance and the Government;
12) provides data for the analysis of the financial system;
13) manages the available funds in the consolidated treasury account;
14) provides the necessary amount of funds in the consolidated treasury account, which is required for the timely payment of planned obligations;
15) manages debt incurred on the basis of securities issued by the state;
16) manages the debt incurred on the basis of given guarantees and taken loans;
17) manages domestic and foreign debt;
18) manages foreign donations, aid and loans and,
19) other tasks of importance for treasury operations.

Budget jobs

Article 72

Budget tasks include:

1) preparation of current economic policy proposals;
2) the procedure of preparation, planning and drafting of annual budget laws and other regulations that more closely regulate its preparation and execution;
3) proposing guidelines and a medium-term macroeconomic framework for budget preparation and planning, determination and monitoring of the consolidated balance of public spending, projection of receipts and expenditures, that is, income and expenditures, projection of the deficit;
4) developing technical standards for budget preparation;
5) analysis of requests from spending units for the allocation of budget requests and proposing their changes;
6) supervision over the realization of income and execution of expenditures;
7) providing advice on budget issues to consumer units and local self-government bodies;
8) monitoring and analysis of financial plans and financial reports of public companies and regulatory agencies;
9) proposing and preparing amendments to the budget law and decisions on temporary financing;
10) analyzing the financial effects of laws and other regulations on the increase or decrease of budget expenditures;
11) harmonization of laws and other regulations with the annual budget law;
12) preparation of opinions regarding the use of budget funds, as well as total public spending funds and,
13) other tasks of importance for the budget.

IX. RESPONSIBILITY OF THE BUDGET OFFICER AND MEASURES

Notice of deviation

Article 73
If during the execution of the budget there are deviations from the levels established by Article 20 of this law, the Minister of Finance informs the Government about these deviations with an explanation of the reasons for the deviations and proposes measures to eliminate the established deviations.

Liability for damage

Article 74
The budget executor is materially responsible for the financial damage that he caused to the spending unit, i.e. to the state body, illegally, intentionally or due to gross negligence.

If it is established that the budget executor is materially responsible for the damage, and does not compensate for the damage, the spending unit, i.e. the state body, can exercise the right to compensation for the damage before the competent court.

Conditions for taking measures

Article 75
The Ministry of Finance can take measures from Article 76 of this law against a consumer unit that is:
1) assumed and fulfilled a financial obligation that was not determined by the public procurement plan or the state budget;
2) contracted consumption in an amount higher than the amount allocated by the state budget;
3) made inappropriate consumption;
4) carried out employment without prior approval of the Ministry of Finance on the provision of funds for that purpose in the budget.
The State Audit Institution, the Protector of Human Rights and Freedoms, judicial authorities and the Parliament of Montenegro shall not be considered a consumer unit, in the sense of paragraph 1 of this article.

**Measures**

**Article 76**

To the consumer unit referred to in Article 75 of this law, the Ministry of Finance, i.e. the competent authority of the municipality can:
1) order the obligation of additional reporting;
2) suspend, that is, limit the possibilities of redirecting budget funds;
3) temporarily suspend the use of budget funds.

**X. INSPECTION SUPERVISION**

**Competent authority**

**Article 77**

Supervision over the implementation of this law and regulations adopted on the basis of this law is carried out by the Ministry of Finance.

The tasks of inspection supervision referred to in paragraph 1 of this article are performed by the budget inspector (hereinafter: inspector) in accordance with this law and the law regulating inspection supervision.

**Obligations and powers of the inspector**

**Article 78**

In carrying out supervision, the inspector has the obligation and authority to control the legal and intended use of budget funds of spending units, municipalities and other public sector entities in accordance with this law.

Inspection supervision includes control of accounting, financial and other business documents of the subject of supervision.

In carrying out inspection supervision, the budget inspector has the authority to initiate misdemeanor proceedings in accordance with the law governing misdemeanor proceedings.

**Obligations of the subject of supervision**

**Article 79**

Subjects of supervision referred to in Article 78 paragraph 1 of this law are obliged to provide the budget inspector with access to all requested documents, data and information, as well as to provide all necessary conditions for unhindered supervision.

**XI. PENAL PROVISIONS**

**Article 80**

A fine from 200 euros to 1,000 euros will be imposed on a responsible person in the Ministry of Finance, i.e. a local government body, if:
1) fails to cancel the transaction when the previously paid money has been returned to the consolidated treasury account (Article 9 paragraph 5);
2) does not publish records on existing debt, long-term and short-term loans and guarantees given (Article 59 paragraph 4).

**Article 81**

A fine from 200 euros to 1,000 euros will be imposed on the responsible person in the consumer unit that monitors and realizes the capital budget for the offense if he does not notify the Ministry of Finance:

1) after the completion of the project on unspent funds planned for that capital project (Article 46 paragraph 1);

2) that during the fiscal year, due to extraordinary or unforeseen circumstances, the planned capital project was not realized (Article 46 paragraph 2).

**Article 82**

A fine from 200 euros to 1,000 euros will be imposed on the responsible person in the consumer unit if:

1) they do not use the funds within the limits established by the law on the state budget (Article 40 paragraph 1);

2) the contracted obligations are not in accordance with the planned and approved funds (Article 40 paragraph 5).

**Article 83**

A fine from EUR 200 to EUR 1,000 shall be imposed on the person responsible for the offense in the consumer unit, the company founded by the Government or the municipality, and legal entities that are majority state-owned if:

1) submit an incorrect and incomplete report on receipts, expenditures and contractual obligations (Article 44 paragraph 1);

2) does not submit a report on each withdrawal of credit funds within seven days from the day of withdrawal, that is, does not submit a quarterly report on the state of total indebtedness (Article 57 paragraph 3);

3) make irregular and inaccurate records of receipts, contractual obligations and expenses (Article 62);

4) fails to submit a financial report based on a special order of the Ministry of Finance (Article 64 paragraph 2).

**Article 84**

A fine of between EUR 400 and EUR 4,000 will be imposed on the person responsible for the offense - the budget executive of the consumer unit, if:

1) does not report state budget receipts, expenditures and contracted obligations for recording in the treasury's general ledger (Article 9 paragraph 3);

2) make unintended spending of budget funds or contract obligations above the amount planned by the annual budget law (Article 40 paragraph 1), except in the case of obligations from Article 40 paragraph 6;

3) fails to submit a report on receipts, expenditures and contractual obligations (Article 44 paragraph 1);

4) sign an act or otherwise give approval allowing long-term loans and guarantees to be taken without the prior consent of the Government (Article 57 paragraphs 1 and 2).

**Article 85**
A fine from 400 euros to 4,000 euros will be imposed on a responsible person in a local government body, if he exceeds the limit defined by Article 27 of this law without the approval of the Ministry of Finance.

Article 86

The statute of limitations for initiating and conducting misdemeanor proceedings for violation of the provisions of this law is three years.

XII. TRANSITIONAL AND FINAL PROVISIONS

Deadline for adoption of regulations

Article 87

Regulations for the implementation of this law will be adopted within nine months from the date of entry into force of this law.

Until the adoption of regulations from paragraph 1 of this article, the regulations adopted on the basis of the Budget Law ("Official Gazette of the Republic of Montenegro", no. 40/01 and 71/05 and "Official Gazette of Montenegro", no. 12/07, 53/09 and 49/10).

Fiscal policy guidelines

Article 88

As an exception to Article 17 paragraph 1 of this law, the Government whose mandate lasts on the day this law enters into force shall issue fiscal policy guidelines without a fiscal strategy.

Delayed application

Article 88a

The provision of Article 34, paragraph 4 of this law will apply from January 1, 2020.

Termination of validity of the law

Article 89

On the date of entry into force of this law, the Law on the Budget ("Official Gazette of the Republic of Montenegro", no. 40/01 and 71/05 and "Official Gazette of Montenegro", no. 12/07, 53/09 and 49/10) ceases to be valid.

Coming into force

Article 90

This law enters into force on the eighth day from the day of its publication in the "Official Gazette of Montenegro".

Independent member of the Law on Amendments to the Law on Budget and Fiscal Responsibility

("Official Gazette of Montenegro", No. 55/2018)

Article 4

This law enters into force on the day of its publication in the "Official Gazette of Montenegro".