

BUDGET LAW

CHAPTER I

GENERAL PROVISIONS

Contents of Law

Article 1

This Law shall regulate the procedure for preparation, adoption, execution and reporting of the Budget of Republic of Macedonia and the budgets of the local government units and the City of Skopje (hereinafter: municipalities) and the reporting on the execution thereof.

Definitions

Article 2

Certain terms used in this Law shall have the following meaning:

- 1) **Budget users** shall mean first-line users in the field of legislative, executive and judicial authorities (hereinafter: central government), Funds, municipal users and users established by law that are awarded special public authorizations.
- 2) **Spending units** shall mean second-line users, financed through the appropriate budget user.
- 3) **Head of budget user** shall be the person managing the budget user, i.e. the spending unit.
- 4) **Budget of the Republic of Macedonia** shall be annual plan of revenues and other inflows and appropriations, and it shall include the central government budget and the budgets of the Funds.

- 5) **Central government budget** shall be annual plan of revenues, other inflows and appropriations, shall cover the budget users of the central government and shall include the basic budget, the donation budget, the loan budget and the budget of self-financing activities.
- 6) **Funds** in terms of this Law shall mean: Pension and Disability Insurance Fund of Macedonia, Health Insurance Fund of Macedonia, Regional and National Road Fund and Employment Agency of Republic of Macedonia.
- 7) **Fund budget** shall be annual plan of revenues, other inflows and appropriations for financing the Fund's activities regulated by law.
- 8) **Municipal budget** shall be annual plan of revenues, other inflows and appropriations and shall include the basic budget, the grant budget, the donation budget, the loan budget and the budget of self-financing activities.
- 9) **Basic budget** shall mean annual plan of revenues, other inflows and appropriations for financing the basic competencies of the budget users.
- 10) **Donation budget** shall mean annual plan of revenues from donations and appropriations used strictly in an earmarked manner and in line with a contract concluded with the donor.
- 11) **Grant budget** shall mean annual plan of revenues from grants and appropriations used for financing the competencies of the municipality, for financing specific purpose, competence, programs and investment projects.
- 12) **Loan budget** shall mean annual plan of inflows on the basis of loans and appropriations used for financing a competence, programs and projects.
- 13) **Budget of self-financing activities** shall mean annual plan of revenues from activities of the budget users, i.e. spending units, being additional to the basic activities defined under the law and of appropriations.
- 14) **Budget appropriations (hereinafter: appropriations)** shall mean annual maximum amount of spending right of the budget user for the determined purpose.
- 15) **Commitments shall** mean obligations arising from concluded contracts, orders and other documents bringing about liabilities in a future period.
- 16) **Expenditures** shall mean payments (outflow) from the budgets for approved purposes, except repayment of principal on the basis of loans.
- 17) **Other outflows** shall mean payments for repayment of principal on the basis of loans.

Long-term spending rights shall mean determined funds appropriated in the budgets for the next years.

- 18) **Revenues** shall mean taxes and other mandatory payments determined by law, inflows arising from ownership of funds (interest, dividend, rent, etc.), fees for rendered goods or services, gifts, donations, subsidies and transfers.
- 19) **Other inflows** shall mean inflows from loans, sale of capital funds, issued government securities and other.
- 20) **Donations** shall mean irreversible funds received from governments of other states or international organizations, as well as from domestic and foreign legal entities and physical persons, used for current or capital expenditures, in accordance with the terms and conditions and purposes agreed with the donor.
- 21) **Grants** shall mean transfers from the Budget of the Republic of Macedonia to the municipal budget.
- 22) **Loans** shall mean reversible funds received on the basis of borrowing at domestic and foreign borrowers, according to the criteria, procedures and requirements stipulated by law.
- 23) **Borrowing** shall mean procedure for creation of liabilities by concluding loan agreement, issuing government securities and obligations on the basis of called up sovereign guarantees.
- 24) **Budget classification** shall mean a hierarchic review of codes intended for classification of: functions, organizational units, activities and economic transactions, in a unique and consistent manner.
- 25) **Budget deficit** shall mean the negative difference between the projected, i.e. collected revenues and the appropriations, i.e. expenditures. The budget deficit is financed by means provided from other inflows.
- 26) **Budget surplus** shall mean the positive difference between the projected, i.e. collected revenues and the appropriations, i.e. expenditures. The budget surplus will be used to finance the negative difference between the projected, expanded other inflows and appropriations.
- 27) **Treasury Department** shall mean organizational unit within the Ministry of Finance managing the Treasury Account and other accounts of the government, and performing other activities stipulated by law.
- 28) **Treasury Account** shall mean an account or system of accounts managed by the Treasury Department, through which is registered the collection of all inflows and are carried out all outflows of the Budget of the Republic of Macedonia, the municipal budgets and budget of other institutions pursuant to law.
- 29) **Treasury Ledger** shall mean official entry of data and transactions with respect to appropriations, spending rights, reported commitments, inflows

and outflows for the fiscal year of the Budget of the Republic of Macedonia, the municipal budgets and the budgets of other institutions pursuant to law.

- 30) **Spending right** shall mean allocation of part of the appropriations with the budget of the budget user and the spending unit, on the basis of the approved quarterly and monthly financial plans.
- 31) **Program** shall mean total of related activities and projects aimed at realization of a common goal or goals.
- 32) **Sub-program** shall mean an activity or project being an integral part of the program.
- 33) **Development Program Plan** shall mean mid-term review of programs for development investments.
- 34) **Liquidity** shall mean balance of the movements of the inflows and the outflows of the budgets and
- 35) **National co-financing** shall mean approved appropriations of the budget users in the base budget and the budget of the self-financing activities for certain projects financed by loans and donations.

Article 2-a

The Government of the Republic of Macedonia on the proposal by the Ministry of Finance shall determine a list of users of the Budget of the Republic of Macedonia which will be published in the Official Gazette of the Republic of Macedonia.

Article 3

Budget goals and principles

(1) The main goal of the preparation and execution of the budget is the macroeconomic stability, sustainable and stable national economic development.

(2) The procedure of preparation, adoption and execution of the Budget of the Republic of Macedonia and the budgets of the municipalities and the reporting on their execution is based on the following principles:

1. **Comprehensiveness**, which means presentation of all the revenues and other inflows, expenditures and other outflows;

2. **Budget balance**, which means that the total revenues and inflows shall cover the appropriations.

3. **Specification**, which means that the appropriations are intended for special purposes by organizational codes, programs, sub-programs and items;

4. **Economy**, which means that the appropriations shall be used timely, in appropriate amount, taking into consideration the quality and the price;

5. **Efficiency**, which means the best ratio between the used funds and the results achieved;

6. **Effectiveness**, which means realization of the set goals and achievement of the desired results;

7. **Transparency**, which means public awareness of all the phases of preparation and execution of the budget; and

8. **Sound Financial Management**, which means execution of the budget in accordance with an effective and efficient internal control as a process which is implemented on all the levels of management of funds.

Harmonization of the Legal Regulation

Article 4

Provisions from other laws related to the realization of revenues and other inflows, expenditures and other outflows in the Budget, should be in compliance with this Law.

Fiscal Year

Article 5

Budget of the Republic of Macedonia and the budgets of the municipalities shall refer to a period of a 12-month fiscal year beginning on January 1st and ending on December 31st.

Plan of Revenues and Other Inflows

Article 6

(1) Planned revenues and other inflows shall constitute basis for determining the budget appropriations.

(2) Planned revenues and other inflows shall be revenues and other inflows of the basic budget, revenues of the budget of self-financing activities, revenues of the donation budget, revenues of the loan budget and revenues and other inflows of the fund budget and the municipal budget.

Appropriations (Funds approved in the budget)

Article 7

(1) Budgets referred to in Article 2 of this Law shall include the appropriations broken down by budget users and determined purposes pertaining to funding the current, capital and other expenditures of the budget users and their spending units for performing the activities shown as programs and sub-programs.

(2) Budget users shall not make commitments that are due in the current year or incur expenditures exceeding the appropriations of the Budget of the Republic of Macedonia and the municipal budget.

(3) Unused appropriations shall cease to be valid on December 31st of the current fiscal year, unless it is otherwise regulated in this law.

European Union Funds

Article 8

The Ministry of Finance shall be authorized to manage the resources received from the Budget of the European Union, in accordance with the European Union provisions and regulations for financing and concluding agreements.

Article 9

(1) The European Union Funds as well as the national co-funding are presented in the budget in appropriate programs or sub-programs.

(2) The programs that cover the European Union funds and the national co-funding are consistent part of the development program plan of the budget users.

Transfer of appropriations from the development part of the budget

Article 10

50% of the appropriations in the programs and sub-programs in the development part of the base budget which are not used during the fiscal year shall be transferred as appropriations in the first half of the next fiscal year.

Reserves

Article 11

(1) Within the Central Budget, i.e. the municipal budget, funds shall be planned for unforeseen circumstances as permanent and current budget reserve.

(2) The appropriations in the permanent budget reserve shall be used for rectifying the consequences from: natural disasters, epidemics and environmental catastrophes and they cannot be reduced with reallocations during the year, and if they are insufficient, they can be increased with reallocation.

(3) Appropriations in the current reserve shall be used for unforeseen events for which funds were not planned in the budget or if appropriations are insufficient.

(4) Permanent and current budget reserve shall not exceed 3% of the total current expenditures of the base budget.

Borrowing

Article 12

Criteria, manner, terms and conditions, limitations and the procedure for borrowing shall be determined by law.

Budget Classifications

Article 13

(1) Budget classifications shall be used for identification of the specific purposes of the budget funds, for control of the earmarked use of the appropriations when executing the budget, and preparation of the required analyses, reports, and the annual account.

(2) Budget classifications referred to in paragraph 1 of this Article shall be the following:

- **Organizational classification**, meaning a structure of codes for classification of the budget users and their structurally subordinated units in the hierarchical organizational structure of the state;

- **Economic classification**, meaning a structure of codes for classification of planned and realized revenues and inflows, appropriations, spending rights, commitments and realized expenditures and outflows;
- **Functional classification**, meaning classification of the functions of the central government and the municipalities, according to the accepted international classification determined by the United Nations; and
- **Program classification**, meaning structure of codes for classification of programs and sub-programs determined with the budget.

(3) The Minister of Finance regulates the budget classification referred to in paragraph (2), lines 1 and 2.

CHAPTER II

BUDGET PREPARATION

Basis for Budget Preparation

Article 14

(1) Basis for the preparation of the budgets shall be the strategic priorities of the Government, the Fiscal Strategy, the draft strategic plans of the budget users and the budget policy, as well as the priorities of the municipalities.

(2) The Minister of Finance shall be responsible for the preparation of the Budget of the Republic of Macedonia and for its submission to the Government.

(3) The Mayor shall be responsible for the preparation of the municipal budget and for its submission to the Council of the municipality.

Strategic Priorities of the Government

Article 15

(1) The Government of the Republic of Macedonia shall determine the strategic priorities for the next year by April 15th of the current year at the latest.

(2) Budget users of the central government and the Funds shall mandatorily include the strategic priorities of the Government of the Republic of Macedonia, as a sum of goals and initiatives, in their budgets through government programs and sub-programs.

(3) Budget users shall prepare three-year strategic plan covering programs and activities for realization of the strategic priorities of the Government, as well as the goals and the priorities of the budget user for that period.

Fiscal Strategy

Article 16

(1) The Ministry of Finance shall prepare a mid-term (three-year) fiscal strategy, proposing directions and objectives of the fiscal policy, and shall determine the amounts for the main categories of the estimated revenues and appropriations for that period.

(2) The Fiscal Strategy shall be adopted by the Government by May 31st of the current fiscal year at the latest.

Contents of the Fiscal Strategy

Article 17

Fiscal Strategy shall contain the following:

1. Basic economic assumptions and directions for preparing the Draft Budget of the Republic of Macedonia;
2. Estimate of the amount of revenues, expenditures and financing of the Budget of the Republic of Macedonia for the current fiscal year;
3. Medium-term (three-year) estimate of the amount of revenues, expenditures and financing of the Budget of the Republic of Macedonia; and
4. Other necessary data.

Determining the Maximum Amounts of Appropriations

Article 18

(1) The Ministry of Finance, on the basis of the Fiscal Strategy, shall propose to the Government of the Republic of Macedonia appropriation limits for the next three fiscal years by budget users of the central government and the funds."

(2) The Government of the Republic of Macedonia shall determine the maximum amounts of funds referred to in paragraph 1 of this Article, by end-May of the current fiscal year at the latest.

Budget Circular

Article 19

(1) Based on the adopted fiscal strategy and the determined appropriation limits, the Ministry of Finance shall, not later than June 15, submit to the budget users of the central government and the funds instructions in the form of a Budget Circular (hereinafter: Circular) for submitting requests for the preparation of the draft budget.

(2) The head of the budget user shall submit the Circular to the spending units.

(3) The Ministry of Finance shall submit the Circular to the Mayor of the municipality by September 30th at the latest.

Contents of the Budget Circular for the Budget of the Republic of Macedonia

Article 20

(1) The Circular shall contain the following elements for the preparation of the Draft Budget of the Republic of Macedonia:

- projection of the macroeconomic aggregates included in the adopted Fiscal Strategy;
- strategic priorities determined by the Government of the Republic of Macedonia with proposal of current government programs and sub-programs;
- appropriation limits by budget users determined by the Government of the Republic of Macedonia;
- instructions and guidelines for the preparation of the draft budget requests, the development program plan and the plan of classified and filled working positions/adequate staffing; and
- other necessary information.

(2) The head of the budget user is responsible for the distribution of the appropriation limits to the spending units.

(3) When distributing the appropriation limits, the head of the budget user, in accordance with the strategic priorities of the Government of the Republic of Macedonia, shall distribute the funds in the draft budget request and the development program plan."

Budget Circular for the Municipalities

Article 21

(1) Budget Circular for the municipalities shall contain the following elements:

- information on the current and estimated macroeconomic indicators in the Republic of Macedonia,
- information on estimate of the revenues in the budget year and for the next two years to be distributed between the Budget of the Republic of Macedonia and the municipalities,
- strategic priorities of the Government of the Republic of Macedonia,
- specific parameters to be used for distributing the approved share of VAT revenues to the municipalities and
- information on Government decisions on earmarked, block and other specific grants to the municipalities, determined by law, as well as estimates for these grants for the next two years.

"Preparation and Adoption of Development Program Plan

Article 21-a

(1) The budget users from the executive authority and the funds shall prepare a Draft-development program plan harmonized with the guidelines from the Circular and they shall submit it for adoption to the Government of the Republic of Macedonia not later than July 15 in the current year.

(2) The Draft-development program plan should be harmonized with the strategic plan of the user and the guidelines for the preparation of the Draft budget and it should include complete project and technical documentation.

(3) The Government of the Republic of Macedonia shall approve the Draft development program plans not later than August 15 in the current year.

Article 21-6

(1) The Mayor of the municipality shall prepare a Draft-development program plan harmonized with the guidelines from the Circular and it shall be submitted for adoption to the Council of the municipality not later than October 20 in the current year.

(2) The Council of the municipality shall approve the Draft development program plan not later than November 15 in the current year.

(3) The approved development program plan is a consistent part of the draft plan of the municipality."

Submission of Budget Requests

Article 22

(1) The budget users from the central government and the funds shall prepare draft budget request for their activities covered in programs and sub-programs in accordance with the instructions and guidelines contained in the Circular for the base budget, the budget of donations, the budget of loans and the budget of self-financing activities.

(2) The budget users of the executive authority and the funds shall prepare a development program plan in accordance with the instructions and guidelines contained in the Circular.

(3) The budget users' programs and sub-programs from the development program plan which were approved by the Government shall be included in the draft budget request.

(4) The heads of the budget users shall submit the draft budget requests to the Ministry of Finance, not later than September 1st in the current year.

(5) For the central government budget users and the funds who have not submitted budget request within the deadline envisaged in paragraph (4) of this article, the Ministry of Finance shall prepare the budget request on their behalf.

Contents of Budget Circular

Article 23

The budget request shall contain the following:

- completed Circular,
- strategic plan of the budget user,
- public procurement plan,
- approved development program plan with detailed explanation,
- plan for required staffing and the filled working positions of the budget user

and

- other information in accordance with the instructions and guidelines in the Circular.

Adjustment of Budget Requests

Article 24

(1) The Ministry of Finance shall check the adjustment of the draft budget requests with the instructions and guidelines from the Circular with regard to the appropriation limits.

(2) The Minister of Finance shall adjust the budget request drafts with the heads of the budget users. The Minister of Finance shall submit the Draft Budget of the Republic of Macedonia with a report on the unadjusted budget requests to the Government of the Republic of Macedonia.

(3) The Draft Budget of the Republic of Macedonia submitted to the Government of the Republic of Macedonia shall include the requested amount by the budget user and the proposed amount by the Ministry of Finance.

Adjustment of Maximum Determined Amounts of Appropriations

Article 25

In case of revising the macroeconomic indicators, The Government of the Republic of Macedonia on the proposal by the Ministry of Finance shall make adjustment of the budget policy and amendments to the appropriation limits by central government budget users and the funds.

Responsibility to Assess the Fiscal Implications when Proposing Regulations and Acts

Article 26

(1) When proposing regulations and acts, budget users shall mandatorily submit to the Government of the Republic of Macedonia filled-in Form for assessment of fiscal implications.

(2) On the basis of the Form referred to in paragraph 1 of this Article, the Ministry of Finance shall submit opinion to the Government of the Republic of Macedonia on the proposed regulations and acts.

(3) The provisions from the laws that cause increase in expenditures or decrease in revenues, which were adopted after the adoption of the Budget of the Republic of Macedonia, shall be implemented after the amendments and modifications to the Budget of the Republic of Macedonia or the Budget of the Republic of Macedonia for the next year enter into force.

Assuming Liabilities after the Adoption of the Annual Budget

Article 27

Notwithstanding Article 7, paragraph (2) of this law, should during the fiscal year, following the adoption of the Budget, it is necessary to make commitments exceeding the appropriations, the sources of funds for their financing shall be proposed.

Additional Fiscal Implications on the Municipal Budgets

Article 28

Should the Parliament or the Government, after the adoption of the municipal budgets, adopt regulations and other acts creating additional fiscal implications on the municipal budgets, they shall mandatorily indicate the source of financing therein.

CHAPTER III

BUDGET ADOPTION

Draft Budget of the Republic of Macedonia

Article 29

(1) The Ministry of Finance shall submit the Draft Budget of the Republic of Macedonia to the Government of the Republic of Macedonia for adoption until November 1st of the current year at the latest.

(2) The Budget of the Republic of Macedonia consists of general, special and development part.

- The general part consists of the total revenues and other inflows and the total expenditures and other outflows of the budget for the fiscal year, as well as global projection of the revenues, inflows, expenditures and outflows for the next two years and other data.

- The special part consists of a plan of appropriations of the budget users and the funds by programs, sub-programs and items for the fiscal year.

- The development part consists of the budget users' development program plans.

(3) The development program plan includes the mid-term projections of appropriations by:

- different budget users;
- different budget programs and sub-programs;
- years when they will be implemented and
- sources of financing, i.e. budgets.

(4) The development program plan from paragraph (3) of this article shall be revised each year.

Submission of the Draft Budget of the Republic of Macedonia to the Parliament

Article 30

(1) The Government shall submit the Draft Budget of the Republic of Macedonia to the parliament of the Republic of Macedonia November 15th of the current year at the latest.

(2) The Parliament of the Republic of Macedonia shall not discuss on the draft budget before 20 days pass from the day of the submission of the budget to the Parliament.

(2) The Parliament of the Republic of Macedonia shall adopt the Budget of the Republic of Macedonia until December 31st at the latest.

(3) The Minister of Finance shall present the Draft Budget in the Parliament of the Republic of Macedonia.

(4) During the procedure for adoption of the Budget of the Republic of Macedonia, any increase of the proposed appropriations must be accompanied by an appropriate reduction of other proposed appropriations. The reserves in the Draft Budget cannot be reduced to the end of increasing other item of appropriations.

Municipal Budget Adoption

Article 31

The contents and the procedure for adoption of municipal budgets is regulated in the law.

Interim Spending Right

Article 32

(1) In case the Budget of the Republic of Macedonia is not adopted until December 31st of the current year, the Ministry of Finance shall approve monthly utilization of resources of up to one third of the total expenditures executed in the first quarter of the previous fiscal year until March 31st at the latest, taking into account the

cash flows. During this period, no commitments shall be assumed and no expenditures for new programs shall be executed.

(2) In the case referred to in paragraph 1 of this Article, all appropriations for the current year, which were not used until that period, after the adoption of the Budget of the Republic of Macedonia, shall be incorporated in the adopted budget.

(3) If the budget is not adopted until March 31 in the current year, the Parliament of the Republic of Macedonia makes a decision on continuation of the timely financing.

CHAPTER IV

BUDGET MANAGEMENT

Budget Flexibility

Article 33

(1) The Ministry of Finance shall keep record of the appropriations of the Budget of the Republic of Macedonia and the municipal budgets in the Treasury ledger.

(2) The budget users can make reallocations within the approved budgets in the current fiscal year. The Ministry of Finance shall approve the reallocation for the central government budget users and the Funds, and the Municipal Council shall approve the reallocation for the municipalities.

(3) The Ministry of Finance, ex-officio, shall make reallocations during the fiscal year within the budget user in order to provide the needed funds for the implementation of execution orders on the base of enforced collection.

(4) The reallocations that refer to the Government programs and sub-programs within the approved budgets are approved by the Ministry of Finance up to the amount of 5 million denars, and over that amount they are approved by The Government of the Republic of Macedonia.

(5) The appropriations on item level within sub-program and budget cannot be reduced more than 20% with reallocations in the current fiscal year with the exception of the reallocations of paragraph (3) of this article.

(6) The appropriations for salaries within budget cannot be increased with reallocations more than 10%.

(7) The Parliament of the Republic of Macedonia shall make the decision on the reallocations among the central government budget users and the Funds.

Increase or Reduction of Appropriations

Article 34

(1) In case the projected revenues and other revenues fail to be executed, the budget users having budget of donations, budget of loans, budget of grants and/or budget of self-financing activities, shall submit request for reduction of the projected revenues and other inflows and of the plan of appropriations in these budgets.

(2) Central budget users and the Funds shall submit their requests to the Ministry of Finance. The Mayors shall submit request for municipal reduction to the respective Municipal Councils.

(3) Notwithstanding paragraph 1 of this Article, the Ministry of Finance can, on behalf of the central budget user and the Funds, reduce the projected revenues and other inflows.

(4) In case the projected revenues and other revenues are executed above the projected level, the budget users having budget of donations, budget of loans, budget of grants and/or budget of self-financing activities, shall submit request for increase of the projected revenues and other inflows and of the plan of appropriations in these budgets.

(5) Central budget users and the Funds shall submit their requests for increase to the Ministry of Finance. The Mayors shall submit request for municipal increase to the respective Municipal Councils.

Approval of Resources from Donations

Article 35

(1) When concluding donation contract, the budget users shall be obliged to inform the Ministry of Finance on the level of donation, the amounts to be used in the current year and the next fiscal years, as well as on the resources necessary for co-financing.

(2) Budget users shall be obliged to submit to the Ministry of Finance, on monthly basis, data on the utilization of resources from donations.

(3) The Ministry of Finance shall keep a Registry of donations.

A new paragraph 4 is added after paragraph 3, which reads:

(4) The form and content of the Registry of donations shall be determined by the Minister of Finance.

Amendments and Modifications to the Budgets

Article 36

(1) The Ministry of Finance shall monitor the realization of the plan of revenues and other inflows, expenditures and other outflows of the Budget of the Republic of Macedonia and the Mayor shall do the same for the municipal budget.

(2) In case the expected revenues and other inflows of the base budgets are realized on a level higher than the plan, the Ministry of Finance i.e. the Mayor of the municipality can make additional repayments of principal and interest of debt.

(3) If, during the execution of the budget, the Ministry of Finance, i.e. the Mayor of the municipality estimates that more significant reallocations of appropriations are necessary or that the realization of the revenues and other inflows deviates from the plan considerably, it proposes amendments and modifications to the budget to the Government of the Republic of Macedonia i.e. the Council of the municipality.

(4) The Parliament of the Republic of Macedonia, i.e. the Council of the municipality shall adopt the amendments and modifications to the budget on the proposal by the Government of the Republic of Macedonia i.e. the Mayor not later than November 15 in the current year.

(5) During the procedure for adoption of the modifications and amendments to the budget, the Ministry of Finance shall timely stop the execution of different appropriations of the Budget of the Republic of Macedonia that are subject to proposed modifications and amendments referred to in paragraph (3) of this article.

Timely cessation of the Budget execution

Article 36-a

(1) If during the fiscal year, there are unforeseen significant budget liabilities or significant deviations from the realization of the planned revenues/inflows, the Government of the Republic of Macedonia on the proposal by the Ministry of Finance can stop the realization of certain appropriations for a period not longer than 45 days, for which the Government informs the Parliament of the Republic of Macedonia.

(2) If in a period of 30 days from the day of cessation of the realization referred to in paragraph (1) of this article, conditions are not created for regular execution of the budget, the Government of the Republic of Macedonia on proposal

by the Ministry of Finance submits a proposal for modifications and amendments to the budget to the Parliament of the Republic of Macedonia.

CHAPTER V

BUDGET EXECUTION

Article 37

(1) Budget execution shall encompass collection and recording of revenues and other inflows as well as execution of expenditures and other outflows in accordance with the appropriations.

(2) The budgets are executed in accordance with the principles of comprehensiveness, economy, efficiency, effectiveness, transparency and sound financial management.

(3) The Parliament of the Republic of Macedonia shall adopt a special law on the Execution of the Budget of the Republic of Macedonia.

Article 37-a

(1) The head of the budget user i.e. the spending unit is responsible for the execution of the budget of the budget user i.e. the spending unit.

(2) The head referred to in paragraph (1) of this article shall appoint persons employed with the budget user, i.e. the spending unit who will do the operations for collection of revenues and other inflows, execution of expenditures and other outflows that are under the competence of the budget user, i.e. the spending unit and it shall provide financial management and control system.

(3) The persons shall execute the operations referred to in paragraph (2) of this article in accordance with this or other law.

Collection of Revenues and Other Inflows

Article 37-6

(1) The collection of the revenues and other inflows shall be carried out in accordance with law.

(2) The budget users that are authorized by law to collect the revenues and other inflows of the base budget, shall be responsible for their complete and timely collection.

(3) The budget users and spending units shall be responsible for the complete and timely collection of the revenues they realize from the operations within their competency/activity that they perform, independently of the revenue plan.

(4) The budget users shall be responsible for controlling revenues collected and payments made to the accounts of the spending units.

(5) All the revenues and other inflows of the Budget of the Republic of Macedonia and the budgets of the municipalities shall be paid to the Treasury Account and recorded in the appropriate Treasury Ledger accounts.

(6) Collected unused revenues referred to in paragraph (3) of this article, at the end of the fiscal year shall be transferred to the next year.

Execution of Expenditures and other Outflows

Article 37-c

(1) Budget users and spending units are responsible for execution of expenditures and other outflows in accordance with the appropriations.

(2) Budget users and spending units must use the appropriations purposefully.

(3) Each expenditure and outflow from the budget must be based on reliable accounting documentation that shall prove the liability.

Using the Appropriations

Article 37-d

(1) After the adoption of the Budget, the budget users shall prepare an annual financial plan by quarters on the use of the appropriations.

(2) The budget users which have spending units shall submit an extract from the Budget containing the appropriations to each spending unit. The spending units shall prepare an annual financial plan by quarters on the use of the appropriations and they shall submit it to the budget user through which they are funded. The budget user shall prepare a consolidated annual financial plan by quarters on the use of the appropriations.

(3) The budget users shall submit the annual financial plans by quarters referred to in paragraphs (1) and (2) of this article to the Treasury for the use of the appropriations.

(4) The Treasury shall allocate the appropriations by quarters based on the submitted annual financial plans by the budget users in order to adjust the expenditures with the dynamics of the realization of the revenues, taking into consideration the seasonal nature of certain expenditures, as well as the specifics of the capital and investment projects.

(5) In order to use the appropriations in a given quarter, the budget users shall submit a financial plan by months.

(6) In order to use the appropriations in a given quarter, the budget users that have spending units shall submit financial plans by months, and after their approval by the Treasury, they shall allocate the approved monthly spending right by spending units.

Treasury

Article 38

(1) The Treasury shall carry out the following operations:

- manage the treasury account and other government accounts opened by the Ministry of Finance,
- keep the Treasury ledger;
- keep Registry of budget users and spending units,
- keep budget accounting for revenues and expenditures of the base budget of the central budget,
- keep records on the collection of revenues and other inflows on the Treasury Account and make allocation by users,
- refund incorrectly paid revenues or revenues paid in excess to the holders of payment operations, legal and physical persons under the competence of the Ministry of Finance, and enforce orders for refund of incorrectly paid revenues or revenues paid in excess under the competence of other budget users,
- keep records on executed expenditures and other outflows of the Treasury Account,
- keep records on the commitments by the budget users and spending units,
- keep records on the arrears of the budget users,
- propose and implement procedures for treasury operations of the budget users and spending units,
- prepare classification of accounts within the Treasury Ledger,
- open and close accounts of the budget users, spending units and other accounts within the Treasury Ledger,
- propose the form and the content of payment forms used by budget users and spending units,
- prepare daily and periodical reports on the collection of revenues and other inflows and execution of expenditures and other outflows of the Budget of the Republic of Macedonia and the budgets of the municipalities according to the national and international standards,
- prepare projections of revenues and other inflows and expenditures and other outflows of the Treasury Account and manage its liquidity;
- approve annual financial plans by quarters and quarterly financial plans by months,
- execute the orders on the decisions on enforced collection debiting the Treasury Account,
- debit accounts within the Treasury Ledger based on contractual authorizations and in case of correction of mistake by the Treasury,
- regulate and manage the manner and conditions of the procedure for management of the liquidity of the accounts within the Treasury Ledger,
- stop execution of certain payments of the central government budget users and spending units in case of disruptions of the financial discipline and in case of disruption of the projected liquidity of the Treasury Account,
- inform the budget users and spending units about the transactions and balance on their accounts and
- perform other duties established by law.

(2) The Minister of Finance shall prescribe in more detail the manner in which the Treasury operates.

Accounts of Budget Users and Spending Units

Article 39

(1) The Ministry of Finance shall open a Treasury Account at the National Bank of the Republic of Macedonia for managing the funds of the Budget of the Republic of Macedonia, the Budgets of the Municipalities as well as for all other funds of the state.

(2) In addition to the Treasury Account, the Ministry of Finance may open other accounts within a bearer of payment operations for separate funds that need special operative execution and monitoring.

(3) For the foreign currency funds from donors and other foreign currency funds that support the activities of the Budget Users and Spending Units, they open foreign currency accounts at the National Bank of the Republic of Macedonia upon prior consent by the Ministry of Finance.

(4) Upon opening the foreign currency accounts referred to in paragraph 3 of this Article, the Budget Users and Spending Units open a shadow account within the Treasury Ledger.

(5) The Minister of Finance shall prescribe the more specific regulations on the opening of foreign currency accounts.

Article 40

(1) The accounts of the budget users and spending units and the accounts of other institutions pursuant to law are kept within the Treasury Account as special in the Treasury Ledger.

(2) The bearers of payment operations are not allowed to open accounts or accept deposits of funds by users and institutions referred to in paragraph (1) of this article.

(3) The budget users and spending units shall open the accounts referred to in paragraph (1) of this article, according to the source of financing.

(4) The Treasury Ledger balance and the balance of the Treasury Account shall be reconciled on regular basis.

Artical 41 is delited

Artical 42 is delited

Payment Execution

Article 43

(1) The budget users and spending units shall submit payment requests to the Treasury for execution of payments.

(2) Foreign currency payments shall be made according to the official foreign currency rate of the National Bank of the Republic of Macedonia on the day of the payment.

(3) The Treasury shall control the submitted payment requests in the manner specified by the Minister of Finance.

(4) The executed payments shall be registered in the Treasury Ledger."

Artical 44 is delited

Recording of Commitments

Article 45

The budget users and the spending units are obliged to report the commitments in order of their recording in the single commitments database at the Treasury.

Artical 46 is delited

Commitments for the Following Years

Article 47

(1) In case the budget users and the spending units make commitments in the programs covered in the development part of the budget, that require the use of budget funds in the following years, the budget users or the spending units have to obtain prior approval.

(2) The budget users and the spending units of the central government shall obtain the approval referred to in paragraph 1 of this Article from the Government of Republic of Macedonia, after previous opinion by the Ministry of Finance, and the budget users and the spending units of the funds and the municipalities shall obtain the approval from a competent authority.

Using the Reserves

Article 48

(1) The Government of the Republic of Macedonia, i.e. the Council of the Municipality shall decide on the use of resources.

(2) The appropriations referred to in paragraphs 1 of this Article shall be additional spending rights of the budget users and spending units.

(3) The Minister of Finance shall submit to the Government an semi-annual and annual report on using the reserves.

(4) The Mayor of the municipality shall submit to the Council of the municipality an annual report on using the reserves.

Using the temporary available funds

Article 49

(1) The Ministry of Finance can use the temporary available funds in the Treasury account or other government accounts in the short run or deposit them in commercial banks by concluding an agreement.

(2) The manner and procedure for utilization and investment of the funds shall be prescribed by the Minister of Finance.

Payment of salaries for budget users and spending units of the central government

Article 50

(1) Prior to submitting the request for payment of salaries, the central government Budget Users shall submit a request for approval of resources for salaries

to the Ministry of Finance, which includes the number of employees, the structure by qualifications and other necessary data. This request for approval of resources for salaries must be in accordance with the approved budget by subprograms and shall be submitted to the Ministry of Finance two days before the date of payment of salaries.

(2) The budget users of the central government which have spending units shall prepare a cumulative calculation for the approval of resources for salaries based on the individual calculations received from the spending units within the timelines referred to in paragraph 1 of this Article.

Employment Procedure

Article 51

(1) The budget users and spending units of the Budget of the Republic of Macedonia can employ new people and fill vacant positions, employ part-time workers and conclude agreements for transfer of employee for temporary employment for performing temporary operations, only if funds for this purpose are provided in the Budget of the Republic of Macedonia and if they are planned with the plan for filling vacant positions during the fiscal year which is submitted with the budget calculation.

(2) The public enterprises and the public legal entities established by the Central Government as well as the trade companies established by the Republic of Macedonia, except the independent regulatory bodies with public authorization given by the law can employ new people and fill vacant positions, employ part-time workers and conclude agreements for transfer of employee for temporary employment for performing temporary operations, only if funds for this purpose are provided in the financial plans for the current fiscal year.

(3) Municipal budget users can employ new persons and fill vacant positions, employ part-time workers and conclude agreements for transfer of employee for temporary employment for performing temporary operations only if funds are provided for this purpose in the municipal budgets.

(4) When employing new people and filling vacant positions, employing part-time workers and concluding agreements for transfer of employee for temporary employment for performing temporary operations referred to in paragraphs (1), (2) and (3), the principle of appropriate and rightful representation of the members of the communities in the Republic of Macedonia shall be respected.

(5) The Ministry of Finance, i.e. the Mayor of the municipality shall be obliged within 30 days from the day of receipt of the employment request, to notify in writing the institutions referred to in paragraphs (1), (2) and (3) of this Article, about provided employment funds.

(6) The Ministry of Finance, i.e. the Mayor of the municipality shall issue written notification on the provided funds for employment of civil servants, upon prior positive opinion by the Civil Service Agency on the systematization acts.

CHAPTER VI

FINAL BUDGET ACCOUNT

Article 52

(1) The Ministry of Finance shall submit the annual report of the Budget of the Republic of Macedonia to the Government of the Republic of Macedonia not later than May 31. A report from an authorized state auditor of the base budget shall be submitted with the annual report together with the comments from the Ministry of Finance as well as the annual reports of the municipal budgets.

(2) After the approval of the final account by the Government it shall be submitted to the Parliament of the Republic of Macedonia for discussion and adoption until June 30th at the latest.

(3) The final account of the budgets of the municipalities shall be adopted in accordance with the law.

(3) The Minister of Finance shall prescribe the type and contents of the information referred to in paragraph 1 of this Article.

CHAPTER VII

BUDGET TRANSPARENCY

Semi-annual Report on the Execution of the Budget

Article 53

(1) The reports on the execution of the Budget of the Republic of Macedonia shall be published on the website of the Ministry of Finance on monthly basis.

(2) Until July 31st in the fiscal year at the latest, the Minister of Finance shall submit to the Government a report on the execution of the Budget of the Republic of Macedonia covering the first six months.

(3) The budget execution report referred to in paragraph 2 of this Article shall be accompanied by an updated report on the macroeconomic indicators and projected revenues, commitments and expenditures for the budget year.

(4) The budget execution report referred to in paragraph 2 of this Article shall be published on the website of the Ministry of Finance.

(5) The budget execution report of the municipalities shall be done in accordance with the law.

Article 54

(1) The Budget of the Republic of Macedonia and its final account, shall be published in the Official Gazette of the Republic of Macedonia.

(2) The municipal budget and its final account shall be published in the official gazette of the municipality.

Accounting and Internal Audit

Article 55

The Budget users and the spending units shall be obliged to keep accounting and carry out internal audit, pursuant to the law.

CHAPTER VIII

OFFENCE PROVISIONS

Article 56

(1) The responsible person, i.e. the head of the budget user shall be fined with 330 to 820 euros in denar equivalent for misdemeanor.

1. The budget user who proposes a regulation or other act misrepresents the additional financial implications on the Budget of the Republic of Macedonia (Article 26, paragraph 1);
2. Fail to inform the Ministry of Finance on the amount of the donation, the amounts to be used in the current and next fiscal years and fail to submit monthly information on the use of the resources from the donations (Article 35);

3. Open accounts outside the Treasury Account (Article 40);
4. Fail to collect revenues falling within their competences/activities and to pay them on the respective accounts within the Treasury Account (Article 37-b, paragraphs (3) and (5));
5. Fail to control the spending units according to Article 37-b paragraph (4) of this law;
6. Fail to report the commitments for registering at the single commitment database at the Treasury (article 45);
7. Fail to use the resources purposefully and make commitments exceeding the Budget limits (Article 7, paragraph (2) and article 37-c, paragraph (2)).
8. Make commitments the payment of which requires budget resources in a future year or years without prior consent (Article 47);
9. does not execute the budget of the budget user pursuant to law (Article 37, paragraphs (1) and (2)).

Article 57

(2) The legal entity that is the bearer of payment operations shall be fined with 4100 to 4800 euros in denar equivalent should it open accounts or accepts deposits of funds by budget user or spending unit.

Article 57-a

(1) For the offences referred to in Articles 56 and 57 before submitting request for an offence procedure, a settlement procedure is implemented, pursuant to the Offence Law.

(2) For the offences referred to in Articles 56 and 57, the offence procedure is conducted by the competent Basic Court.

CHAPTER IX

TRANSITIONAL AND FINAL PROVISIONS

Article 58

(1) The Minister of Finance shall adopt the bylaws envisaged by this Law within six months from the date this Law enters into force.

(2) Until the adoption of the bylaws referred to in paragraph 1 of this Article, the current regulations shall apply.

Article 59

Articles 8 and 9 of this Law shall apply after the fulfillment of the conditions for utilization of resources.

Article 60

The Law on Budgets (Official Gazette of the Republic of Macedonia nos. 79/93; 3/94; 71/96; 46/2000; 11/2001, 93/2001; 46/2002; 24/03; 85/03 and 96/04) shall cease to apply on the day this Law starts applying.

Article 61

This Law shall enter into force on the eighth day from the day it is published in the *Official Gazette of the Republic of Macedonia* and shall apply as of January 1st, 2006.

Article 5

With entering into force of this Law, provisions from Article 10 on The Law on Budgets (Official Gazette of the Republic of Macedonia nos. 64/2008, 4/2008 and 103/2008) shall not apply until 01st January 2011.

Article 6

This Law shall enter into force on the day when it is published in the *Official Gazette of the Republic of Macedonia* and shall apply as of January 1st, 2010.