



PROVISIONAL INSTITUTIONS OF SELF GOVERNMENT

KUVENDI I KOSOVËS
СКУПШТИНА КОСОВА
ASSEMBLY OF KOSOVO

Law No. 02/L-13

**ON THE APPROVAL OF THE KOSOVO CONSOLIDATED BUDGET AND
AUTHORIZING EXPENDITURES FOR THE PERIOD 1 JANUARY TO 31
DECEMBER 2005**

The Kosova Assembly ,

Having regard to the responsibilities of the Provisional Institutions of Self-Government under Chapter 9.1.26 (a), Chapter 5.1 (a) and (b) and Chapter 5.2 (c) of UNMIK Regulation No. 2001/9 of 15 May 2001, as amended, on a Constitutional Framework for Provisional Self-Government in Kosovo;

Taking into account the SRSG authority, according to the Article 8.1 (c) of UNMIK Regulation Nr. 2001/9 of 15 May 2001, as amended; on Constitutional Framework for Provisional Self Government in Kosovo on adoption of Kosovo Consolidated Budget,

Hereby adopts the following:

**LAW ON THE APPROVAL OF THE KOSOVO CONSOLIDATED BUDGET
AND AUTHORIZING EXPENDITURES FOR THE PERIOD 1 JANUARY
TO 31 DECEMBER 2005**

Article 1
Definitions

For the purposes of the present Law, the definitions, which are contained in the Public Financial Management and Accountability Law, as promulgated by UNMIK Regulation No. 2003/17, are included by reference, except for:

Budget Appropriation means the legally authorized amount that may be made available for expenditure from the Kosovo Consolidated Fund either an expenditure category within a specific program or purpose or, where a specific purpose is not identified, for an expenditure category for a Budget Organization, as set out in Table 2 of the present Law.

Balances means the amounts of unexpended commitments, unallocated appropriations, uncommitted allocations and any revenues in excess of the sum of expenditures and unexpended commitments carried forward from Fiscal Year 2004.

Commitments means contemplated expenditures, for which a Commitment Payment Order has been submitted to the Treasury and recorded in the Treasury Accounting Record, whether or not subject to a legal obligation.

Expenditure categories means Salaries and Wages, Other Goods and Services, Subsidies and Transfers, Capital Outlays, and Reserves,

Expenditures means payments of money from the Kosovo Consolidated Fund.

Funds allocation means the maximum amount of expenditures and commitments able to be made against a specified appropriation, as advised to a Budget Organization in an allocated funds notice issued by the Ministry of Finance and Economy.

Kosovo General Budget means the budget comprising the unconsolidated budgets for all Kosovo Budget Organizations in the sectors of government activity represented by the Provisional Institutions of Self-Government (including Municipalities) and the Reserved Powers, the appropriations for which are set out in Table 2 to the present Law.

Reserved Power Budget Organizations means the Budget Organizations receiving an appropriation under the indicated Article of Table 4 attached to the present Law.

Retained Earnings means the amount of unappropriated money that remains in the Kosovo Consolidated Fund as of December 31 of the previous fiscal year.

Treasury Accounting Record means the accounting record established within the Treasury of the Ministry of Finance and Economy.

Article 2

Approval of the Kosovo Consolidated Budget for 2005

2.1. The Kosovo Consolidated Budget for 2005 as set out in Table 1 is hereby approved. The Budget may be amended by the Special Representative of the Secretary-General under an Administrative Direction, in conformity with the provisions of the Public Financial Management and Accountability Law, as promulgated by UNMIK Regulation No. 2003/17.

2.2. The evaluated structure of revenues for 2005 is 626.2 million Euros, consisting of: 529.8 million Euros in tax revenues; 61.6 million Euros in non-tax revenues; and 34.8 million Euros in municipal own source revenues (Table 1).

2.3. The level of appropriations from the KCB for 2005 is 713.9 million Euros (Table 2, Parts A, B, C).

Article 3

Kosovo General Budget Appropriations

3.1. This Law authorizes the appropriations of funds from the Kosovo Consolidated Fund for the fiscal year 2005, as presented in Table 2 of this Law and the expenditures presented as items in the General Budget of Kosovo for Purposes of Central Government (Table 2, Parts A, B, C).

3.2. The Special Representative of the Secretary-General may issue an Administrative Direction amending Tables attached to the present Law in conformity with the provisions of the Public Financial Management and Accountability Law, as promulgated by UNMIK Regulation No. 2003/17.

3.3. The Minister of Finance and Economy shall maintain a record of all approved appropriations, appropriation transfers or other approved adjustments to appropriations made during Fiscal Year 2005, through the Treasury's Chart of Accounts submitted, as necessary, with additional notes. The Minister of Finance shall present at least twice a year to the Special Representative of the Secretary General, the Government, and the Assembly a comprehensive report stating the details of the approved appropriations, all subsequent transfers and other changes and the final appropriations for the Fiscal Year 2005, a final report not later than three months after the close of fiscal year 2005, and additional reports if requested by the SRSG and the Assembly of Kosovo.

Article 4

Municipal Budget Appropriations

4.1. Notwithstanding Article 3, appropriations in Table 2, Part C that are based on the "Municipal Own Source Revenues" are only authorized to the extent such revenues are deposited in the Kosovo Consolidated Fund and properly recorded in the Treasury Accounting Record.

4.2. In the event that revenue from co-payments, fees, charges or taxes collected by a municipality exceeds the revenue amounts appropriated in Table 2, Part C for such municipality, a concomitant adjustment in the amounts appropriated in the Budget for such municipality shall be made. Such excess revenue may not be allocated or expended until such an adjustment is made to the budget of such municipality by the Municipal Assembly in accordance with the procedures, as provided for in the Public Financial Management and Accountability Law, as promulgated by UNMIK Regulation No. 2003/17. Every such adjustment to revenues and appropriations shall be recorded in the Treasury Accounting Record and incorporated into the next revision of the Budget Tables approved by the Special Representative of the Secretary-General in accordance with Articles 2 and 3.

4.3. Revenue from education fees and/or charges shall be separately recorded, and such revenue may only be appropriated and used by the municipality for education purposes. Revenue from primary health care co-payments shall be separately recorded, and such revenue may only be appropriated and used by the municipality for primary health care purposes.

4.4. Each Municipality specified in Table 4 shall allocate to non-majority communities of that Municipality, from their Own Source Revenues and General, Education and Health Grant received from the Kosovo General Budget, at least the proportion indicated in Table 4 which table may be revised periodically in coordination with the Ministry of Health, Ministry of Education, Ministry of Finance and Economy and the Municipal Assemblies. Joint recommendations for any readjustment of, or reallocation of percentages shall be forwarded by the Deputy Special Representative of the Secretary-General for Civil Administration and the Minister of Finance and Economy to the Special Representative of the Secretary-General for approval.

4.5. Contingency expenditures shall not be included for the purpose of calculating fair share financing for the very reason of the definition. This shall not apply to contingency expenditures specifically authorized to assist a Municipality in meeting its fair-share financing responsibilities.

4.6. Within 15 days from the end of each quarter of the Fiscal Year 2005, each Municipality shall prepare and submit a financial report to the Ministry of Finance and Economy and Office of Community Affairs on their fair-share financing and other relevant standards and benchmarks.

4.7. In the event that a Municipality does not meet the set proportion of fair share financing, or does not comply with other relevant standards and benchmarks, the Deputy Special Representative of the Secretary-General for Civil Administration having consulted the Grants Commission may recommend to the Special Representative of the Secretary-General the implementation of measures, which may include, but are not limited to:

- (a) Holding back of future allocations from the Kosovo General Budget, or from Own Revenues until the assigned proportion of the proper financial allocation has been fulfilled;
- (b) Designation of criteria for Municipalities on expenditure of available funds;
- (c) Carrying forward committed unexpended 2004 municipal funds, up to the level commensurate with the deficit in spending for non-majority communities in accordance with the percentages provided in Schedule 3 of UNMIK Regulation 2002/23, for specific non-majority community projects in 2005;
- (d) Diversion of municipal funds directly to non-majority communities;
- (e) De-certification of the Municipality in question; and
- (f) Appointment of a Municipal Financial Administrator pursuant to Article 61 on the Public Financial Management and Accountability Law, as promulgated by UNMIK Regulation No. 2003/17, as appropriate.

4.8. The Minister of Finance and Economy, in close coordination with the Deputy Special Representative of the Secretary-General for Civil Administration and having consulted the Grants Commission may issue Administrative Instructions in relation to the administration of fair share financing by Municipalities.

Article 5 Central Budget Organization Own Source Revenues

5.1. All Own Source Revenues for Central Government organizations comprising but not limited to user fees and charges shall be deposited on a special account into the Kosovo Consolidated Fund. For the purposes of this Law, the term “user fees and charges” is defined as payments received by a Central Budget Organization for the delivery of goods and services to non-government institutions or individuals.

5.2. The Minister of Finance and Economy is authorized to sign a Memorandum of Understanding with a Budget Organization to address:

- (a) The procedures for the collection, reconciliation and deposit of the revenue in the Kosovo Consolidated Budget; and
- (b) The amount or proportion of the revenue that will be appropriated to the Budget Organization.

5.3. Budget organizations shall be responsible for collecting, depositing and reconciliation with the Treasury, in accordance with the procedures in the approved Memorandum of Understanding. The amount of appropriation authorized shall not exceed the value of the specified revenue deposited in the Kosovo Consolidated Budget.

5.4. All changes in revenues and appropriations resulting from such Memorandum of Understanding shall be incorporated into the next revision of the Budget approved by the Special Representative of the Secretary-General.

Article 6

Appropriation and Re-Appropriation of Carried Forward Fund Balance

6.1. No later than thirty (30) days after issuance of full appropriations for 2005, the Government shall submit to the Assembly and to the Special Representative of the Secretary-General, a preliminary Table indicating the total amounts, sources and usage of the elements of the funds carried forward from Fiscal Year 2004, including:

- a) Those funds identified from the 2004 Budget which are included in the 2005 Budget as carry forward funds in order to move to full cash appropriations in 2005
- b) unexpended balances of Central Government Own Source Revenues
- c) unexpended balances of Municipal Own Source Revenues,
- d) unexpended balances of Designated Donor Grants,
- e) unexpended balances from public money held by KTA in relation to its administration of Socially Owned Enterprises and related assets; and
- f) any funds that shall be kept as retained earnings.

6.2. Unexpended balances of "Municipal Own Source Revenues" from Fiscal Year 2004 and earlier, to the extent they have been deposited in the Kosovo Consolidated Fund and recorded in the Treasury Accounting Record as appropriations to a municipality, are appropriated and authorized for Fiscal Year 2005.

6.3. Unexpended balances of designated donor grants, which grants were actually received and recorded in the Treasury Accounting Record in 1999-2004 are appropriated and authorized for Fiscal Year 2005.

6.4. In accordance with the Public Financial Management and Accountability Law, as promulgated by UNMIK Regulation No. 2003/17, all donor gifts, loans or grants shall be deposited into, and appropriately accounted for as part of the Kosovo Consolidated Fund, unless otherwise approved by the Special Representative of the Secretary-General. Upon completion of the procedures as issued by the Treasury Department of the Ministry of Finance and Economy, and after being deposited into the Kosovo Consolidated Fund unless otherwise approved by the Special Representative of the Secretary-General, such

gifts, loans or grants shall be deemed to have been appropriated for the specified purpose or purposes, and may be allocated and expended for such purpose or purposes.

6.5. All public money held by KTA in relation to its administration of Socially Owned Enterprises and related assets, and any payments from the KTA Charter Capital are to be accounted for as part of the Kosovo Consolidated Fund in accordance with UNMIK Regulations No. 2002/12, 2002/13 and 2003/13. Such public money held by KTA shall be deemed to have been appropriated for the specific purpose(s) authorized under the applicable law, and may be allocated and expended for such purpose(s).

Article 7

Limits on Commitments and Expenditures

7.1. An expenditure from or a commitment against the Kosovo Consolidated Fund shall only be made:

- (a) From an amount that has been appropriated therefore; and
- (b) In accordance with the other requirements of the present Law and Article 8 of the Law on Public Procurement.

7.2. Each Budget Organization is required to ensure that the number of its staff does not at any time during Fiscal Year 2005 exceed the number specified in Table 2, attached to the present Law.

7.3. The Minister of Finance and Economy may, with the advice of the Minister for Public Services, authorize an increase or decrease in the number of staff of a Budget Organization specified in Table 2, Parts A-D attached to the present Law. Authorization under this Article does not also imply or authorize any change in the appropriation for wages and salaries. Such changes shall be incorporated into the next revision of the Budget Tables approved by the Special Representative of the Secretary-General in accordance with Article 3.

7.4. Failure to comply with the limits on staffing numbers is a breach of this Law and of the Law on Public Financial Management and Accountability, adopted as Law 2003/2 and promulgated by UNMIK Regulation 2003/17. The penalties provided for by that law shall be strictly imposed on any individual responsible for such a breach.

Article 8

Contingent Expenditures

8.1. Funds for contingent expenditures are appropriated as:

- (a) A "Reserve of the Minister of Finance and Economy" in Table 2, Parts A, D; and
- (b) A "Reserve of the Special Representative of the Secretary-General" in Table 2, Parts B and D.

8.2. The amounts authorized for contingent expenditures may be used only for urgent and/or unforeseen requirements.

8.3. The Minister of Finance and Economy shall submit a quarterly report on the use of contingent expenditures to the Assembly.

8.4. Amounts may be transferred from the contingent expenditure appropriations in accordance with the following criteria:

- (a) Transfers of amounts less than or equal to and €250,000 from the “Reserve of the Minister of Finance and Economy” shall be authorized, on receipt of proper justification, by the Minister of Finance and Economy;
- (b) Transfers of amounts greater than €250,000 from the “Reserve of the Minister of Finance and Economy” shall be authorized, on receipt of proper justification, by the Minister of Finance and Economy after receiving the approval of the Government; and
- (c) Transfers of amounts from the “Reserve of the Special Representative of the Secretary-General” shall be authorized by the Special Representative of the Secretary-General.

Article 9

Transfer of Amounts Appropriated

9.1. The Special Representative of the Secretary-General may, following consultation with the Government, authorize a transfer of appropriated amounts between Table 2 Parts A-D.

9.2. The Minister of Finance and Economy may, if provided with a valid justification by the head of a budget organization, authorize the transfer of part of one appropriation of that budget organization to another appropriation of that budget organization in accordance with Article 27 of the Public Financial Management and Accountability Law, as promulgated by UNMIK Regulation No 2003/17.

9.3. Notwithstanding Article 9.2, the Special Representative of the Secretary-General may at the request of a head of a Reserve Power Budget Organization authorize the transfer of an amount greater than twenty percent (20 %) of the negatively affected appropriation of that organization, having consulted the Minister of Finance and Economy.

9.4. Upon approval, an adjustment to the amounts appropriated in Table 2, Part D shall be made by the Minister of Finance and Economy in the Treasury Accounting Record. Such changes shall be incorporated into the next revision of the Budget approved by the Special Representative of the Secretary-General.

Article 10

Loans of Budget Funds to Designated Entities

In accordance with Article 44.4 of the Law on Public Financial Management and Accountability, and subject to the approval of the Government, the Assembly, and the SRSG, funds from the Kosova Consolidated Budget may be used to provide interim loans to Designated Entities, provided that such loans are in accordance with the terms of an agreement which is approved by the Government and the SRSG.

Article 11
Lapsing of Appropriations and Allocations

Other than in those cases where the present Law provides for re-appropriation, appropriations and funds allocations made in Fiscal Year 2005 shall automatically lapse at midnight of 31 December 2005 unless otherwise authorized by the SRSG in exceptional circumstances at the request of the Government.

Article 12
Entry into Force

The present law shall enter into force after adoption by the Assembly of Kosova on the date of its promulgation by the Special Representative of the Secretary-General.

Law No. 02/L-13
23 February 2005

President of the Assembly

Academic Nexhat Daci

Table 1. Kosovo General Budget 2005

Table 2. Kosovo General Budget

Part A: Provisional Budget Organizations (former schedule 3)

Part B: Reserved Power Organizations (former schedule 4)

Part C: Budget Organizations- Municipalities (former schedule 5)

Part D: Summary of Appropriations (former schedule 2)

Kosovo General Budget Grand Total

Table 3 Fair Share Financing – Proposed Required Minimum Classifications (former schedule 6) (attached)